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Top Executive Compensation 1985 Edition

(Data for this survey were collected in 1984 based on 1983 fiscal year corporate reports.)

by Harland Fox

A Research Report from The Conference Board

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Highlights

This report is primarily an analysis of the 1983 compensation of the five highest paid executives in each of 1,053 companies in six major types of business: manufacturing (478 companies), construction (67 companies), gas and electric utilities (94 companies), retail trade (73 companies), commercial banks (203 companies), and insurance (138 companies). The major focus is on 1983 total cash compensation and its two elements, base salary and bonus awards. Using this report, a company can compare the 1983 compensation of its top-paid executives with their counterparts in companies of similar size and type of business.

The report also describes the incidence of, and trends in, four important elements of the executive compensation package: annual bonus plans, long-term performance plans, stock option plans, and restricted stock. For stock options, the size of option grants during 1983 is shown, as well as the net gain for options exercised during 1983. For restricted stock plans, the size of grants during 1983 is described and, for long-term performance plans, the size of payouts during 1983 is given.

Pay Trends

Compared to 1982, 1983 total compensation (which includes bonus awards) was up by 12 percent in manufacturing, by 11 percent in retail trade, by 9 percent in banking and utilities, and by 6 percent in insurance. No gain was apparent in construction.

In most types of business, a larger proportion of companies paid an annual bonus, and the bonus, as a percentage of salary, was higher than in 1982. In construction, fewer bonus awards were made and were smaller than in 1982.

In each type of business, base salaries were higher than in 1982. The median increase in banks was 9 percent; retail trade, 8 percent; manufacturing and gas and electric utilities, 7 percent; insurance, 6 percent; and construction, 4 percent.

Estimates of the average salary increase for exempt employees made in May, 1984, suggest a median increase of 6.5 percent for 1984 and 6.5 percent for 1985.

Annual Bonus Plans

The increased use of annual bonus plans continues, especially among financial institutions: 73 percent of the banks and 64 percent of the insurance companies now have a plan. Gas and electric utilities, too, have continued to adopt an annual bonus: 37 percent have a plan. Plans are almost universal in manufacturing where 92 percent have a plan, as do 92 percent of the construction companies, and 78 percent of the retailers.

As in prior years, the size of the typical bonus award, as a percentage of salary, is generally lowest among gas and electric utilities (25 percent for chief executive officers), banks (26 percent for the CEO), and insurance (29 percent). In construction, the median bonus award for chief executive officers is 43 percent of base salary; in retail trade, 48 percent; and in manufacturing, 50 percent. In general, the size of the bonus, as a percent of salary, tends to increase with company size.

Restricted Stock

A sizable proportion of companies in each type of business have a plan for awards of restricted stock to top executives: manufacturers, 21 percent; retail trade, 21 percent; stock insurance companies, 15 percent; commercial banking, 12 percent; publicly held construction companies, 14 percent; and gas and electric utilities, 6 percent.

Under a restricted stock plan, a company makes an outright award of shares, which are subject to forfeiture until "earned out" over a stipulated period of continued employment, usually three to five years.

During 1983, the median award to 320 executives was the equivalent of 37 percent of salary.

Long-term Performance Plans

Much of the growth in long-term performance share-unit plans has taken place in the last five years, but they still are not very common outside of manufacturing, where 35 percent of the firms now have a plan. About 20 percent of the insurance companies and banks have a plan;

18 percent of the retailers and 12 percent of the utilities and publicly held construction companies.

In these plans, top executives are given a contingent award of performance units at the beginning of a performance period; the final value of these awards is determined by how closely specified corporate financial targets are met during this performance period of the next three, four or five years.

During 1983, the median payout to 339 executives was the equivalent of 28 percent of salary.

Stock Option Plans

There has been a substantial increase in the proportion of companies with a stock option plan since 1980 in each type of business: 84 percent of manufacturers have a plan, 77 percent of the retailers, 62 percent of the publicly held construction companies, 50 percent of the banks, 43 percent of the stock insurance companies, and 20 percent of the gas and electric utilities.

The majority of companies with a plan provide for the grants of "incentive stock options" (ISO's): 80 to 92 percent of the plans use ISO's, depending on the type of business. In most of these companies, nonqualified options are granted as well as ISO's. The nonqualified options, however, are limited to those executives whose award was more than the $100,000 per-year limit on the value of ISO awards in 43 to 72 percent of the companies, depending on the type of business.

The value of stock option grants made in 1983 to the five top-paid executives as a group, on the average, was the equivalent of 39 to 94 percent of base salary, depending on the type of business. The median net gain for options exercised during 1983 was 52 percent of salary in manufacturing, 35 percent in retail trade, and 24 percent in banks and stock insurance companies.

Stock-for-stock exercise (stock swaps) of options are provided for in 33 to 75 percent of ISO plans, depending on the type of business, and in about the same proportion of nonqualified option plans.

Stock appreciation rights (SAR's) are provided by 23 to 42 percent of the ISO plans, depending on the type of business, and in about the same proportion of nonqualified options plans. In both cases, about half of the plans limit SAR's to "insiders"; the other plans provide SAR's to all option recipients.

Why This Report

This is the 22nd in a series of Conference Board reports concerned with the pay and pay programs for top executives in six major American industries. However, this is the second *annual* study; earlier studies were conducted every other year. This shift to an annual survey is designed to track changes in executive compensation more accurately and to spot trends as they begin to emerge. For example, 1983 pay patterns for top executives are quite different than those in 1982 for most types of business because more companies gave a bonus in 1983, and these awards were generally higher than those for 1982. At the same time, the rate of salary increases for top executives was generally lower in 1983 than in 1982, continuing a trend that has been apparent since 1980.

In addition to highlighting significant trends in executive pay and bonuses, the primary purpose of this report is to provide individual companies with guidelines for comparing the compensation of their top executives with those of other companies of similar size and in the same type of business. Salary data, bonus awards, and total compensation data are all presented so that a company can readily make these comparisons.

The prevalence of compensation plans other than salary and bonus is shown for each type of business, and a measure of the "value" of these programs to top executives is calculated: For stock options, the size of grants and the value at exercise; for restricted stock, the value at grant; and for long-term performance plans, the size of pay-out.

As in the past, the usefulness of these reports depends on the cooperation of the 1,000 or more companies that provide data each year. We sincerely thank them.

James T. Mills
President

Chapter 1

Introduction and Summary

THIS REPORT IS primarily an analysis of the 1983 compensation of the five highest paid executives in each of the companies described in the accompanying box. The major focus is on the basic elements of 1983 cash compensation: base salary and annual cash bonus awards. Total compensation, base salary and bonus awards for 1983, are compared with 1982 in each type of business.

The report also describes the incidence of, and trends in, four important elements of the executive compensation package: annual bonus plans, long-term performance plans, stock options (and their associated "stock appreciation rights" and "stock swaps"), and restricted stock. For stock options, the size of option grants during 1983 is shown, as well as the net gain for options exercised during 1983. For restricted stock plans, the size of grants during 1983 are described, and for long-term performance plans, the size of payouts during 1983 are shown.

Pay Trends

Total compensation (which includes bonus awards) was 6 to 12 percent higher than in 1982 for each type of business except for construction, where total compensation was about the same as in 1982. This is illustrated below, using the median change for the chief executive officer *position* in companies for whom total compensation data were available for both 1983 and 1982. (The same individual was not necessarily the same CEO in both years in all companies.)

	Total Compensation Increase		
	1983		*1982*
Type of Business	*Number of Companies*	*Median*	*Median*
Manufacturing	375	12%	0%
Retail trade	49	11	7
Commercial banking	149	9	10
Gas and electric utilities	77	9	7
Insurance	106	6	9
Construction	47	0	3

The biggest change was in manufacturing where total compensation increased 12 percent after showing no increase for 1982. Increases for 1983 were somewhat higher than 1982 among retailers and utilities and somewhat lower in banks and insurance companies.

Some of the increase in total compensation is related to the prevalence of bonus payments. For example, 81 percent of the manufacturers paid a bonus for 1983 compared to only 72 percent for 1982. But relatively fewer construction firms paid a bonus for 1983 (69 percent) than for 1982 (75 percent).

		Percent That Paid Bonus	
Type of Business	*Number of Companies*	*1983*	*1982*
Manufacturing	478	81%	72%
Construction	67	69	75
Retail trade	73	68	70
Commercial banking	203	59	56
Insurance	138	55	44
Gas and electric utilities	94	28	20

In addition to the incidence of bonus payments, the size of the award has an impact on total compensation. As a

About the Companies

This study is based on information obtained from 1,053 companies in six major types of business in the United States. These companies represent only specific segments of their respective types of business, however.

- The 478 **manufacturers** include 43 percent of the manufacturers with $100 million or more in sales whose stock is listed on the New York or American Stock Exchange.
- The 94 **gas and electric utilities** are 70 percent of all gas and electric utilities whose securities are listed on the New York or American Stock Exchange.
- The 73 **retailers** include 21 percent of approximately all retailers with sales of $50 million or more.
- The 203 **commercial banks** are 45 percent of approximately all commercial banks with total deposits of $300 million or more.
- The 138 **insurance companies** are 44 percent of approximately all life insurance and property and casualty insurance companies with total premium income of $50 million or more.
- The 67 **construction companies** represent 33 percent of the 200 largest contractors: 21 are publicly held and 46 do not have stock traded on an organized exchange.

rule, bonus awards as a percentage of base salary were higher for 1983 than 1982. In construction, however, awards for chief executive officers dropped from 49 percent of base salary to 43 percent for 1983.

The other basic element in total compensation is base salary. In each type of business, 1983 salaries were 6 to 9 percent higher than in 1982, except for construction, which registered a 4 percent increase. This is illustrated below, using the median increase for the chief executive officer *position* in companies for whom salary data were available for both 1983 and 1982. (The same individual was not necessarily the CEO in both years in all companies.)

	Base Salary Increase		
	1983		1982
Type of Business	Number of Companies	Median	Median
Commercial banking	149	9%	10%
Retail trade	49	8	8
Manufacturing	375	7	9
Gas and electric utilities	77	7	10
Insurance	106	6	10
Construction	47	4	8

Generally, the rate of salary increase is lower for 1983 than 1982, continuing the trend that has been apparent since 1980 and 1981, when comparable median salary increases were 12 to 13.5 percent in each type of business and in 1982, when increases were 8 to 10 percent.

As an indicator of future salary increases, companies were asked during May, 1984 to provide the expected "average salary increase" for their total exempt population (not just for "executives") for 1984 and 1985. The responses shown in Table 1 suggest that salary increases for top executives are likely to be lower than those given in 1983.

1983 Annual Bonus Awards

The trend to increased use of annual bonus plans during the 1970's has continued during the past few years. Bonus plans are almost universal in manufacturing and construction and have continued to grow in gas and electric utilities, commercial banking, and insurance, as shown below.

	May, 1984		May, 1980
Type of Business	Total Companies	Percent with Bonus Plan	Percent with Bonus Plan
Manufacturing	478	92%	90%
Construction	67	92	89
Retail trade	73	78	81
Commercial banking	203	73	55
Insurance	138	64	52
Gas and electric utilities	94	37	13

The bulk of companies with a bonus plan made an award for 1983 performance. Generally, a larger group paid a bonus than in 1982, as shown below.

		Percent that Paid Bonus	
Type of Business	Total Plans	1983	1982
Retail trade	57	88%	90%
Manufacturing	440	87	78
Insurance	89	85	70
Commercial banking	148	80	76
Construction	62	79	81
Gas and electric utilities	34	76	56

Among the companies that paid a bonus, the size of the award, as a percentage of salary, was higher for 1983 performance than for 1982 in manufacturing and retailing with the median somewhat lower in construction as illustrated below for chief executive officers:

	Median Award for 1983		
Type of Business	Number of CEO's	Percentage of Salary	1982 Median
Manufacturing	372	50%	45%
Retail trade	47	45	41
Construction	39	43	49
Insurance	76	29	27
Commercial banking	119	26	28
Gas and electric utilities	23	25	24

Among manufacturers, banks, and insurance companies, the bonus awards as a percentage of salary tend to increase as the size of the company increases. In retailing, awards tend to decrease with increases in company sales. (Data were not adequate to check this in construction and utilities.)

Restricted Stock Plans

As shown below, a relatively small group of companies in each major type of business provide for grants of restricted stock. In general, there has been a modest increase in the use of restricted stock during the past four years.[1]

	May, 1984		May, 1980
Type of Business	Total Companies	Percent with Restricted Stock	Percent with Restricted Stock
Manufacturing	478	21%	18%
Commercial banking	203	12	7
Gas and electric utilities	94	6	4
Retail trade	73	21	19
Insurance: stock	70	15	9
Construction: publicly held	21	14	30

[1] *Top Executive Compensation 1980 Edition*. The Conference Board, Report No. 793, 1980.

Table 1: Estimated Average Salary Increase for Exempt Employees: 1984 and 1985

Type of Business	Estimate for 1984			Estimate for 1985		
	Number of Companies	Median	Middle 50 Percent Range	Number of Companies	Median	Middle 50 Percent Range
Commercial banking	190	7.0%	6.0 to 8.0%	134	7.0%	6.0 to 8.0%
Retail trade	65	6.8	5.0 to 7.5	47	6.5	5.0 to 7.4
Insurance	126	6.5	6.0 to 7.0	85	6.5	6.0 to 7.0
Manufacturing	443	6.4	6.0 to 7.0	342	6.4	6.0 to 7.0
Gas and electric utilities	73	6.0	5.0 to 7.0	44	5.5	5.0 to 6.0
Construction	59	6.0	5.0 to 6.4	53	6.0	5.0 to 7.0
Total companies	956	6.5	6.0 to 7.0	705	6.5	6.0 to 7.0

Under a restricted stock plan, a company makes an outright award of shares to participating executives subject to certain restrictions, the most important of which is that shares are subject to forfeiture until they are "earned out" over a stipulated period of continued employment. This vesting period is generally three to five years.[2]

A small group of companies (76) made restricted stock grants to one or more of their five top-paid executives during 1983. (Included are forty-nine manufacturers, nine banks, eight retailers, six stock insurance companies, and five publicly held construction firms.) The size of the grants for 320 executives is shown below, converted to a percentage of their 1983 base salary.

Grant as Percentage of Salary	Executives	
	Number	Percentage
200% or more	19	6%
100–199	37	12
80–99	20	6
60–79	23	7
50–59	17	5
40–49	28	9
30–39	48	15
20–29	58	18
10–19	47	15
Less than 10%	23	7
Total	320	100%

The value of the median grant is the equivalent of 37 percent of salary with the middle half ranging between 22 and 73 percent of 1983 base salary.

Long-term Performance Plans

In recent years, some companies have adopted executive incentive plans in which the payoff is based on the attainment of specified *long-term* corporate financial performance goals, in contradistinction to the annual bonus plans that are based on a single year's corporate performance. These plans are generally known as performance share, or unit, plans. In these plans, top executives are given a contingent award of company shares or, more commonly, of performance units at the beginning of a performance period. The actual value of the award is determined by how closely specified corporate financial performance objectives (usually growth in earnings per share) are met during the performance period of the next three, four or five years.[3]

Although the first of these plans was installed in 1971–1972, growth apparently has continued during the last four years, as illustrated below.[4]

Type of Business	May, 1984		May, 1980
	Total Companies	Percent with Performance Plan	Percent with Performance Plan
Manufacturing	478	35%	26%
Insurance	138	20	8
Commercial banking	203	19	9
Retail trade	73	18	11
Gas and electric utilities	94	12	3
Construction	67	12	9

The plans are still not common outside of manufacturing and, in each type of business, they are generally found among the largest companies.

A small group of (76) companies made a payment under this type of plan during 1983 to one or more of their five top-paid executives. (Included are 44 manufacturers, 11 banks, 9 insurance companies, 4 retailers, 6 utilities, and

[2]For an analysis of 91 plans, see Harland Fox, *Restricted Stock for Executives*. The Conference Board, Research Bulletin No. 159, 1984.

[3]For an analysis of 89 plans, see Harland Fox, *Executive Incentives: Long-term Performance Share/Unit Plans*. The Conference Board, Research Bulletin No. 132, 1983.

[4]*Top Executive Compensation 1980 Edition*. The Conference Board, Report No. 793.

2 construction companies.) The payments to 339 executives are shown below, converted to a percentage of their 1983 base salary.

Payment as Percent of Salary	Executives	
	Number	Percent
100% and over	11	3%
70-99	13	4
60-69	18	5
50-59	27	8
40-49	42	12
30-39	43	13
20-29	73	21
10-19	56	17
Less than 10%	56	17
Total	339	100%

The median payment is the equivalent of 28 percent of 1983 salary, with the middle half ranging between 15 and 46 percent of salary.

Stock Option Plans

By 1980, nonqualified stock options plans were, for all practical purposes, the only type of stock option used. The Tax Reform Act of 1976 did not allow new qualified plans to be adopted after May 21, 1976, and, for plans adopted before this, outstanding options had to be exercised before May 21, 1981. Then the Economic Recovery Tax Act (enacted on August 13, 1981) created a new type of statutory option, the "incentive stock option" (ISO).[5]

As the tabulation below illustrates, there has been considerable growth in the adoption of stock option plans since 1980.

Type of Business	May, 1984			May, 1980
	Total Companies	With Stock Option Plan		Percent with Nonqualified Option Plan
		Number	Percent	
Manufacturing	478	400	84%	68%
Retail trade	73	56	77	43
Construction: publicly held	21	13	62	55
Commercial banking	203	102	50	23
Insurance: stock	70	30	43	18
Gas and electric utilities	94	19	20	8

Generally, the majority of companies with a stock option plan provide for the grant of *both* nonqualified options and ISO's. Relatively few companies have only an ISO plan and fewer still, only a nonqualified plan, as shown below.

[5]For an analysis of 189 ISO plans, see Harland Fox, *Incentive Stock Option Plans*. The Conference Board, Research Bulletin No. 148, 1983.

Type of Business	Total Plans	Percent of Plans by Type of Options		
		Both ISO and Nonqualified	Only ISO	Only Nonqualified
Manufacturing	400	67%	17%	16%
Gas and electric utilities	19	67	22	11
Commercial banking	102	58	26	17
Insurance: stock	30	53	27	20
Retail trade	56	46	38	16
Construction: publicly held	13	46	46	8

1983 Grants and Gain at Exercise

Among the companies that have a stock option plan, 62 to 79 percent made a regular grant of options during 1983, as shown below:

Type of Business	Companies with Stock Option Plan	Granted Options in 1983	
		Number	Percent
Manufacturing	400	297	76%
Commercial banking	102	72	71
Retail trade	56	41	73
Insurance: stock	30	23	77
Gas and electric utilities	19	15	79
Construction: publicly held	13	8	62

A sizable proportion of the companies in each type of business granted *both* ISO's and nonqualified options during 1983 (Table 2). However, as shown below, in most cases the nonqualified option was given only to those executives who hit the statutory limit on the size of ISO grants (the value of an individual award cannot exceed $100,000 per calendar year).

Type of Business	Granted Both ISO's and Nonqualified Options	Nonqualified Only Above ISO Limit	
		Number	Percent
Manufacturing	170	123	72%
Commercial banking	37	21	57
Retail trade	19	10	53
Insurance: stock	8	5	63
Gas and electric utilities	7	3	43
Construction: publicly held	2	2	100

Almost 90 percent of the companies that made a regular grant of options during 1983 provided information about the value of the option for one or more of their five top-paid executives. (The value of the option is the number of shares granted multiplied by the market price at the time of grant.) The size of the grants is shown below, converted to a percentage of base salary, for all five top-paid executives combined.

Table 2: 1983 Stock Option Grants by Type of Option

Type of Business	Total Stock Option Grants	Type of Option Granted: Both ISO and Nonqualified Number	Both ISO and Nonqualified Percent	ISO Only Number	ISO Only Percent	Nonqualified Only Number	Nonqualified Only Percent
Manufacturing	297	170	57%	77	26%	50	17
Commercial banking	72	37	51	23	32	12	17
Gas and electric utilities	15	7	47	5	33	3	20
Retail trade	41	18	43	15	37	8	20
Insurance: stock	23	8	35	12	52	3	13
Construction: publicly held	8	2	25	4	50	2	25

Type of Business	Number of Executives	Size of Grant (Percent of Salary) Median	Middle Percent Range
Manufacturing	1,120	94	57% to 148%
Commercial banking	276	77	45 to 120
Gas and electric utilities	46	73	48 to 102
Retail trade	108	72	33 to 125
Insurance: stock	71	57	32 to 110
Construction: publicly held	25	39	15 to 102

One or more of the five top-paid executives in each type of business exercised a stock option (or SAR) during 1983. The net gain realized in cash or stock (market value less option price) is shown in Table 3 in terms of the dollar gain and as a percentage of 1983 base salary.

Stock-for-Stock Exercise

A substantial proportion of the companies that have stock option plans provide for stock-for-stock exercise (stock swaps). This arrangement allows options to be exercised with shares of previously purchased company stock in lieu of cash, a procedure that postpones the taxation of any gain on stock already owned. The proportion of ISO's with this provision is shown below.

Type of Business	ISO Plans	With Stock Swap Number	With Stock Swap Percent
Manufacturing	336	229	68%
Commercial banking	85	46	54
Retail trade	47	21	41
Insurance: stock	24	8	33
Gas and electric utilities	17	8	47
Construction: publicly held	12	8	75

As indicated below, the proportion of nonqualified option plans that provide for stock swaps is essentially the same as for ISO plans.

Type of Business	Nonqualified Options	With Stock Swap Number	With Stock Swap Percent
Manufacturing	332	218	66%
Commercial banking	75	39	52
Retail trade	35	17	49
Insurance: stock	22	7	32
Gas and electric utilities	15	6	40
Construction: publicly held	7	4	57

Stock Appreciation Rights

A substantial proportion of the companies also attach stock appreciation rights (SAR's) to the option. The SAR allows an executive to relinquish the option and receive an amount equal to the appreciation in the stock since the date

Table 3: Net Gain on Stock Options Exercised in 1983

Type of Business	Number of Companies	Number of Executives	Gain at Exercise: Dollars Median	Dollars Middle 50 Percent Range	Percent of Salary Median	Percent of Salary Middle 50 Percent Range
Manufacturing	176	527	$114,000	$43,000 to $273,000	52%	21% to 113%
Retail trade	31	83	74,000	21,000 to 249,000	35	17 to 99
Insurance: stock	11	33	55,000	16,000 to 100,000	24	11 to 39
Commercial banking	35	103	36,000	17,000 to 82,000	24	9 to 49

of grant. The gain is taxed as ordinary income at the time it is received. Under an ISO, an executive could otherwise exercise the option without tax at the time, but the SAR allows the executive to take the gain without borrowing money to take the option.

The prevalence of an SAR among ISO plans is shown below:

Type of Business	ISO Plans	With SAR Number	With SAR Percent
Manufacturing	336	138	41%
Commercial banking	85	33	39
Retail trade	47	17	36
Insurance: stock	24	7	29
Gas and electric utilities	17	4	23
Construction: publicly held	12	5	42

In most plans, the SAR is not given to all ISO recipients; rather, SAR's are limited to options granted to a small group of top executives (essentially, "insiders"). For example, 67 percent of the ISO plans in manufacturing that grant SAR's limit them to the insider group; this is true as well of 52 percent of the banks. (This apparently is true in other types of business, but the number of cases on which to judge is small.)

Roughly the same proportion of companies that have nonqualified stock option plans attach SAR's to the options, as shown below.

Type of Business	Nonqualified Options	With SAR Number	With SAR Percent
Manufacturing	332	187	56%
Commercial banking	75	33	44
Retail trade	35	16	46
Insurance: stock	22	8	36
Gas and electric utilities	15	6	40
Construction: publicly held	7	4	57

Again, the SAR is not given to all nonqualified option recipients. For example, among the manufacturers, 66 percent of the nonqualified plans with SAR's limit the SAR to a small group of top executives; 67 percent of the banks also limit SAR's to the insider group.

Executive Pay and Company Size

As a rule, top executives in larger companies are paid more than their counterparts in smaller companies. It is generally accepted that this is a cause-and-effect relationship. The chief executive officer of a large company is paid more than a CEO in a small company in part because the job is more difficult and demanding.

In this study, major emphasis is given to this relationship between top executive pay and the size of the company. For example, the total compensation (base salary plus bonus award) of the chief executive officers in each type of business is shown on a chart similar to Exhibit 1 on page 7.

- Each circle on a chart shows the total compensation paid to the chief executive officer by a single company. Those executives whose total compensation includes a bonus award are differentiated by a circle (O).
- The regression line on a chart measures the general relationship between total compensation and company size. The line can be used to determine average compensation of chief executives at any level of company size by taking a direct reading from the chart, or by using the formula given for each line.

Although total compensation and company size are highly related, company size obviously is not the sole determinant of top-executive compensation. To underline this point, the "coefficient of determination" is given for each regression line. This is the ratio of the variation in total compensation explained by the regression line to the total variation in pay. (The square root of this coefficient is the more familiar correlation coefficient.)

As the tabulation below, using pay of the CEO, indicates, this coefficient of determination varies considerably from one type of business to another. For example, for the relatively small construction companies whose stock is not traded, only 18 percent of the variation in total compensation of chief executive officers is accounted for by the variation in company size, and only 34 percent in the few companies (21) whose stock is traded. But for most types of business, at least half of the variation in chief executive pay, whether total compensation or base salary, is statistically explained by the variations in company size.

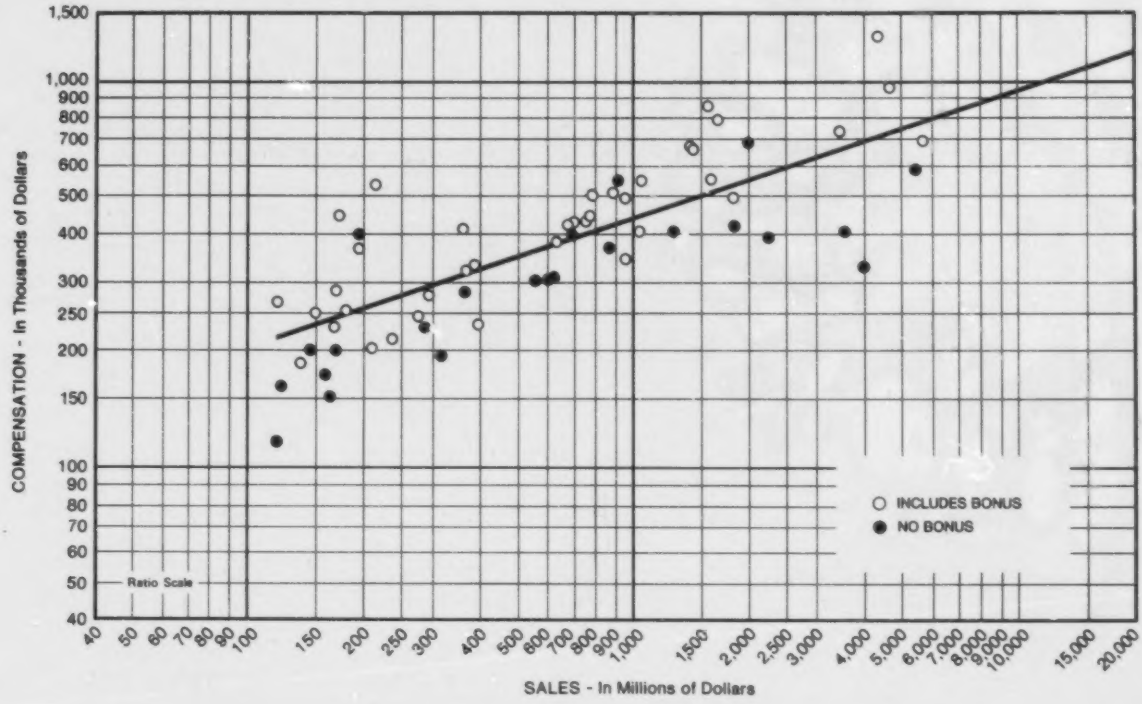
Type of Business	Coefficient of Determination: Total Compensation	Coefficient of Determination: Base Salary
Commercial banking	72%	68%
Life insurance	69	68
Property and casualty insurance	69	72
Gas and electric utilities	67	71
Manufacturing	60	62
Retail trade	53	60
Construction: publicly held	34	27
Construction: closely held	18	22

It might be noted that the coefficients of determination are generally somewhat higher for the other four executives; that is, their pay is more influenced by company size. Generally, the coefficients are four to 12 percentage points higher than that of the CEO, depending on the type of business.

Executive Pay Differentials

Although average pay levels for each of the five top-paid executives vary considerably from one type of business to another, the relationships among the pay of the five execu-

Exhibit 1: Compensation of the Chief Executive, by Company Sales



tives differ very little among the major types of business. For example, the second highest paid executive typically receives 67 to 76 percent of the chief executive's total compensation, as the tabulation below illustrates.

Type of Business	Median Ratio: Total Compensation as a Percentage of CEO Total Compensation			
	Second highest	*Third highest*	*Fourth highest*	*Fifth highest*
Retail trade	76%	56%	46%	40%
Construction	76	64	54	48
Manufacturing	69	54	47	42
Commercial banking	68	54	46	42
Gas and electric utilities	67	55	50	45
Insurance	67	55	48	42

Salary ratios among the five top-paid are essentially the same as total compensation ratios, as shown below.

Type of Business	Median Ratio: Salary as a Percentage of CEO Salary			
	Second highest	*Third highest*	*Fourth highest*	*Fifth highest*
Retail trade	75%	60%	50%	43%
Construction	75	65	56	50
Manufacturing	70	56	49	44
Commercial banking	69	55	48	43
Insurance	68	56	50	45
Gas and electric utilities	67	56	51	45

Chapter 2
Manufacturing—Summary

INFORMATION ABOUT THE 1983 compensation of their five highest paid executives was obtained from 478 manufacturers, 43 percent of the manufacturers with $100 million or more in sales whose stock is listed on the New York or American Stock Exchange. These 478 manufacturers are classified below on the basis of 1983 sales volume.

	Companies	
1983 Sales	*Number*	*Percent*
$5 billion and over	50	10%
2–4,999 billion	79	17
1–1,999 billion	74	15
500–999 million	96	20
300–499 million	61	13
200–299 million	51	11
100–199 million	67	14
Total	478	100%

Median sales for the group is $756 million, with the middle half ranging between $302 million and $2.3 billion.

Pay Trends

On the average, total compensation for 1983 (which includes bonus awards) was about 12 percent greater than in 1982 for top executives in these manufacturing industries. For example, in a sample of 375 chief executive officers for whom total compensation for both 1982 and 1983 was available, the median change in total compensation was 12 percent, with the middle half ranging from no increase to an increase of 29 percent.

For 20 percent of these chief executive officer positions, total compensation for 1983 was lower than for 1982 and another 7 percent registered no gain. Among the 73 percent that show an increase, the median increase is 19 percent, with the middle half ranging between 10 and 39 percent.

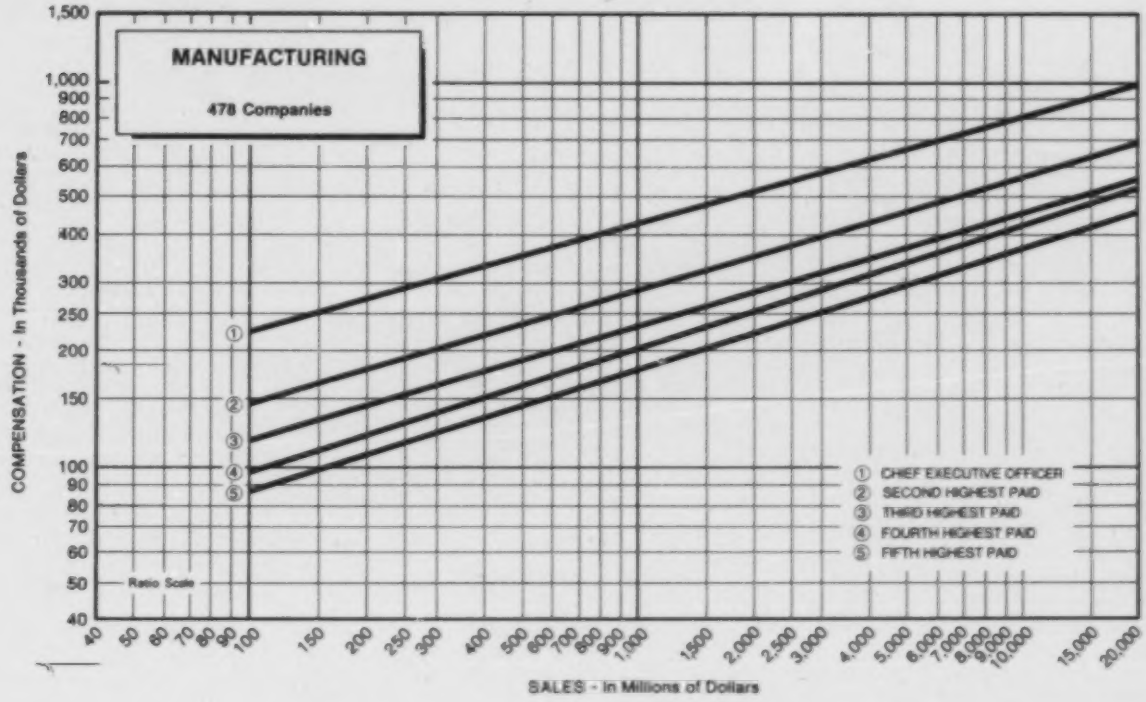
Much of the increase in total compensation is the result of increased bonus payments. For example, 87 percent of the manufacturers paid a bonus for 1983 performance, but only 78 percent did so for 1982 performance. In addition, bonus payments, as a percentage of base salary, were higher. For example, the median bonus for chief executive officers represented 50 percent of salary for 1983, but only 45 percent of salary for 1982 performance. Finally, among companies that paid a bonus for both 1983 and 1982, the median dollar increase for chief executive officers was 16 percent, with the middle half ranging between no increase and a 56 percent increase. Among the 71 percent that got a larger bonus, the median increase was 34 percent, with the middle half ranging between 14 and 80 percent.

Total compensation also increased because of increases in base salary. For example, among the 375 companies for which both 1983 and 1982 base salary were available, the median increase for the chief executive position was 7 percent, with the middle half ranging between no increase and a 13 percent increase. For 14 percent of these chief executive positions, salary was lower in 1983 than in 1982, and for 19 percent it was unchanged. Among the 67 percent that received an increase, the median is 11 percent, with the middle half between 7 and 15 percent.

As indicated below, the 7 percent increase for 1983 continues the drop in the rate of salary increase for top executives during the last few years.[1] Apparently this will continue in the near future, according to estimates obtained from 443 manufacturers about their 1984 average salary increase for their entire exempt population. The median estimated increase was 6.4 percent, with the middle half ranging between 6.0 and 7.0 percent. This same pattern

[1]The 1982 changes are from *Top Executive Compensation 1983 Edition*. The Conference Board, Report No. 840, 1983, p. 7. The 1979–1981 changes are from *Top Executive Compensation 1982 Edition*. The Conference Board, Report No. 827, 1982, p. 11. The 1977–1979 changes are from *Top Executive Compensation 1980 Edition*. The Conference Board, Report No. 793, 1980, p. 14. The 1975–1977 changes are from *Top Executive Compensation 1978 Edition*. The Conference Board, Report No. 753, 1978, p. 18. The 1973–1975 changes are from *Top Executive Compensation 1976 Edition*. The Conference Board, Report No. 706, 1976, p. 17.

Chart 1: Compensation of the Five Highest Paid Executives, by Company Sales



of increases was predicted for 1985 by the 342 companies that provided an estimate for the exempt population for 1985.

Year	Number of Companies	Percentage Increase in Salary: Median	Middle 50 Percent Range
Total Exempt Employees			
1985 Estimate	342	6.4%	6.0% to 7.0%
1984 Estimate	443	6.4	6.0 to 7.0
Chief Executive Officers			
1983	375	7	0 to 13
1982	392	9	0 to 15
1979–1981	323	24	16 to 33
1977–1979	388	20	10 to 29
1975–1977	549	20	11 to 28
1973–1975	502	17	5 to 26

1983 Total Compensation

For each manufacturer, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The median and middle 50-percent range of the total compensation of the chief executive officers and the other four executives are shown below.

Compensation Rank	1983 Total Compensation: Median	Middle 50 Percent Range
Highest paid	$408,000	$294,000 to $582,000
Second	$278,000	$199,000 to $403,000
Third	$221,000	$158,000 to $315,000
Fourth	$190,000	$135,000 to $275,000
Fifth	$167,000	$117,000 to $246,000

As the lines in Chart 1 suggest, there is a positive relationship between the level of total compensation and sales volume for all five executives. The correlation coefficients for the five lines are, respectively: .78, .78, .80, .82, and .82.

The regression lines on the chart can be used to determine the average compensation of an executive at any level of sales, either by a direct reading from the chart or by using the regression formulas below. (In these formulas, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.7805 + 0.2848 log X	60%
Second	log Y = 1.5787 + 0.2939 log X	61
Third	log Y = 1.4758 + 0.2965 log X	63
Fourth	log Y = 1.3903 + 0.3046 log X	66
Fifth	log Y = 1.3198 + 0.3106 log X	68

Although total compensation and sales are highly related, company size is not the sole determinant of compensation level. As the "coefficients of determination" (r^2) above indicate, the variation in sales statistically explains 60 to 68 percent of the variation in total compensation of the five top-paid executives. (This coefficient is the square of the correlation coefficient.)

The tabulation below of the total compensation of chief executive officers indicates that this coefficient of determination varies considerably among the 11 specific industries.

Industry	Coefficient of Determination (Chief Executive Officers)
Electrical machinery	78%
Printing and publishing	67
Food	64
Transportation equipment	64
Industrial chemicals	62
All Manufacturers	**60%**
Machinery	58
Primary metals	58
Fabricated metals	53
Consumer chemicals	53
Stone, clay and glass	48
Paper	43

As a rule, the coefficient of determination is higher for the other four executives.

There are substantial differences in the average total compensation of each of the five top-paid executives from one industry to another, even when sales volume is taken into consideration. This is illustrated in the tabulation below, which shows average total compensation of chief executive officers, by industry, at sales of $756 million, the median sales volume for all manufacturers.

Industry	Total Compensation (Chief Executive Officers)
Printing and publishing	$467,000
Consumer chemicals	459,000
Fabricated metals	437,000
Transportation equipment	409,000
Machinery	404,000
All Manufacturers	**398,000**
Electrical machinery	393,000
Stone, clay and glass	392,000
Food	374,000
Paper	371,000
Primary metals	336,000

When sales volume is taken into consideration, these industry differences apparently are growing wider because of the differential impact of the recession. The highest industry average above is 39 percent greater than the lowest; in 1982 this spread was 44 percent and in 1981, 37 percent. But in 1979, the spread was 24 percent and, if the lowest paying industry is dropped, the 1979 difference was only 10 percent.

The ratio of the total compensation of each executive to that of the CEO is shown below.

Compensation Rank	Total Compensation as a Percentage of Chief Executive's Total Compensation: Median	Middle 50 Percent Range
Second highest	69%	58% to 79%
Third highest	54	47 to 63
Fourth highest	47	40 to 55
Fifth highest	42	35 to 49

1983 Salary

There is also a positive relationship between base salary and sales volume. The regression equations for the five top-paid executives are shown below. (Y is salary stated in *thousands* of dollars; X is sales stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.7427 + 0.2491 log X	62%
Second	log Y = 1.5588 + 0.2552 log X	62
Third	log Y = 1.4697 + 0.2553 log X	66
Fourth	log Y = 1.3952 + 0.2605 log X	69
Fifth	log Y = 1.3335 + 0.2669 log X	69

As the coefficients of determination (r^2) above indicate, the variation in sales volume statistically explains 62 to 69 percent of the variation in base salary.

The coefficient of determination varies considerably for the base salary of CEO's among the 11 specific manufacturing industries:

Industry	Coefficient of Determination (Chief Executive Officers)
Primary metals	79%
Electrical machinery	73
Industrial chemicals	73
Stone, clay and glass	70
Food	66
All Manufacturers	**62**
Transportation equipment	58
Consumer chemicals	58
Machinery	55
Paper	54
Printing and publishing	47
Fabricated metals	45

There is relatively little difference in average base salary of each of the five top-paid executives from one industry to another, when sales volume is taken into consideration. This is illustrated below using the average salary of chief executive officers in each industry at sales of $756 million, the median sales volume of all manufacturers. (These averages are derived from the regression equations for each industry.) The highest average base salary is only 18 percent greater than the lowest.

Industry	Base Salary (Chief Executive Officers)
Consumer chemicals	$314,000
Machinery	306,000
Fabricated metals	305,000
Printing and publishing	301,000
Transportation equipment	291,000
All Manufacturers	**288,000**
Industrial chemicals	283,000
Food	282,000
Electrical machinery	279,000
Stone, clay and glass	278,000
Paper	275,000
Primary metals	265,000

The ratio of the salary of each of the other top-paid executives to the salary of the chief executive officer is shown below.

Compensation Rank	Salary as a Percentage of Chief Executive's Salary: Median	Middle 50 Percent Range
Second highest	70%	59% to 80%
Third highest	56	48 to 65
Fourth highest	49	42 to 56
Fifth highest	44	37 to 52

These ratios are practically the same as the total compensation ratios.

1983 Bonus Awards

Almost 92 percent (440) of the 478 manufacturers have an "annual" executive bonus plan; that is, a plan that pays a year-end bonus based on that year's corporate performance. The incidence of these plans varies somewhat from industry to industry, but at least 84 percent of the companies in any manufacturing industry have a plan.

There is no consistent relationship between company size and the prevalence of these plans: Better than 90 percent of the companies at any sales level have a plan.

There has been considerable growth in the prevalence of these plans over the last decade. In 1974, 75 percent of a comparable group of manufacturers reported an annual bonus plan.[2] By 1980, 90 percent did so.[3]

[2] *Top Executive Compensation 1974 Edition* (out of print). The Conference Board, Report No. 640, 1974, p. 9.

[3] *Top Executive Compensation 1980 Edition*, p. 11.

Among the 440 manufacturers with a bonus plan, 87 percent (385) made an award for 1983 performance; only 78 percent paid a bonus for 1982, however. Among the 385 companies that paid a 1983 bonus, 325 also paid a 1982 bonus, but 60 did not. Among the 55 companies that paid no bonus for 1983, 20 paid a 1982 bonus; 35 paid no bonus in either year.

By and large, the proportion of companies in the specific manufacturing industries that paid a bonus for 1983 performance is larger than the percentage that paid a 1982 bonus, as shown below.

Industry	Total with Bonus Plan	Paid Bonus for 1983: Number	Paid Bonus for 1983: Percent	Paid Bonus for 1982: Percent
Consumer chemicals	29	28	96%	93%
Paper	21	20	95	57
Transportation equipment	36	34	94	71
Fabricated metals	25	23	92	88
Electrical machinery	34	31	91	96
Printing and publishing	21	19	91	91
Stone, clay and glass	20	18	90	75
Food	43	38	88	91
Industrial chemicals	34	30	88	82
All Manufacturers	**440**	**385**	**87**	**78**
Machinery	55	42	76	80
Primary metals	28	15	54	46

As Table 4 indicates, the median award for CEO's (50 percent of salary) is somewhat higher than that for the other four executives (46 to 37 percent of salary). Compared to bonus awards for 1982, the 1983 medians are 5 to 8 percentage points higher.[4]

For each of the five executives the bonus award as a percentage of salary increases with company size (Table 5, p. 13).[5] Again, the 1983 awards at each size level are higher than in 1982.[6]

[4] *Top Executive Compensation 1983 Edition*, p. 11.

[5] Data are derived from regression equations based on the pay of executives in 361 companies with a bonus plan that paid a bonus. The equations are shown below; the coefficients of determination is in parentheses.

Total Compensation

Highest paid	$\log Y = 1.8419 + 0.2746 \log X$	(65%)
Second	$\log Y = 1.6489 + 0.2803 \log X$	(64%)
Third	$\log Y = 1.5391 + 0.2851 \log X$	(66%)
Fourth	$\log Y = 1.4513 + 0.2935 \log X$	(70%)
Fifth	$\log Y = 1.3730 + 0.3016 \log X$	(71%)

Base Salary

Highest paid	$\log Y = 1.7399 + 0.2469 \log X$	(66%)
Second	$\log Y = 1.5871 + 0.2444 \log X$	(63%)
Third	$\log Y = 1.4831 + 0.2503 \log X$	(68%)
Fourth	$\log Y = 1.4111 + 0.2543 \log X$	(70%)
Fifth	$\log Y = 1.3467 + 0.2616 \log X$	(70%)

[6] *Top Executive Compensation 1983 Edition*, p. 13.

Table 4: 1983 Bonus Awards and 1982 Median Bonus

1983 Bonus Award (Percent of Salary)	Chief Executives		Second Highest Paid		Third Highest Paid		Fourth Highest Paid		Fifth Highest Paid	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
100% or more	25	7%	23	6%	21	5%	20	5%	16	4%
90–99	9	2	6	2	2	1	8	2	6	2
80–89	23	6	13	3	9	2	7	2	9	2
70–79	25	7	22	6	18	5	18	5	11	3
60–69	50	13	47	12	34	9	27	7	23	6
50–59	54	15	53	14	52	14	54	74	37	10
40–49	60	16	59	16	68	18	68	18	75	20
30–39	53	14	61	16	71	19	70	18	70	19
20–29	37	10	50	13	52	14	55	15	61	16
10–19	25	7	35	9	42	11	33	9	47	12
Less than 10%	11	3	10	3	10	2	19	5	22	6
Total	372	100%	379	100%	379	100%	379	100%	377	100%
Median Bonus	50%		46%		42%		41%		37%	
Middle 50% Range	35–67%		30–63%		29–56%		28–56%		24–51%	
1982 Median Bonus	**45%**		**39%**		**36%**		**33%**		**32%**	

Restricted Stock Plans

Twenty-one percent (100) of the manufacturers have a restricted stock plan under which contingent grants of company stock are made, subject to restrictions and forfeitures, until earned out by continued employment over a specified period of time. The use of restricted stock has increased somewhat in the past three years; 18 percent (83) of a comparable group of (470) manufacturers reported a plan in 1980.[7]

The prevalence of these plans is not related to company size, but it varies somewhat among the 11 specific manufacturing industries, as shown below.

Industry	Total Companies	With Restricted Stock Plan	
		Number	Percent
Transportation equipment	36	11	31%
Consumer chemicals	30	7	23
Fabricated metals	26	6	23
Stone, clay and glass	23	5	22
All Manufacturers	**478**	**100**	**21**
Industrial chemicals	35	6	17
Machinery	62	10	16
Food	45	7	16
Electrical machinery	36	5	14
Printing and publishing	23	3	13
Paper	25	3	12
Primary metals	29	3	10

Almost half (49) of the companies made an award during 1983. The awards for 210 executives are shown below, converted to a percentage of their 1983 base salary.

Award as Percent of Salary	Executives	
	Number	Percent
200% or more	15	7%
100–199	27	13
80–99	12	6
60–79	13	6
50–59	11	5
40–49	16	8
30–39	25	12
20–29	42	20
Less than 20%	49	23
Total	210	100%

The median award is the equivalent of 35 percent of 1983 salary, with the middle half ranging between 20 and 85 percent of salary. The median award for chief executive officers, 52 percent of salary, is higher than the second highest paid (36 percent), the third and fourth highest paid (32 percent), and the fifth highest paid (29 percent).

Long-term Performance Plans

Thirty-five percent (166) of the 478 manufacturers have an executive incentive plan based on the achievement of long-term corporate financial goals, usually called a performance share or unit plan.[8] This compares with 25 percent of 470 manufacturers that reported a plan in 1980.[9]

[7] *Top Executive Compensation 1980 Edition*, p. 14. For an analysis of 91 plans, see Harland Fox, *Restricted Stock for Executives*. The Conference Board, Research Bulletin No. 159, 1984.

[8] For an analysis of 89 plans, see Harland Fox, *Executive Incentives: Long-term Performance Share/Unit Plans*. The Conference Board, Research Bulletin No. 132, 1983.

[9] *Top Executive Compensation 1980 Edition*, p. 12.

These plans are most common among larger companies. For example, 60 percent of the manufacturers with $3 billion or more in sales have a plan compared with 40 percent with sales in the $500 million to $3 billion range, and 17 percent of the companies with sales in the $100 million to $500 million range.

The prevalence of these plans also varies considerably among the specific industries, as shown below.

Industry	Total Companies	With Long-term Performance Plan Number	Percent
Stone, clay and glass	23	11	48%
Industrial chemicals	35	16	46
Paper	25	11	44
Printing and publishing	23	9	39
Consumer chemicals	30	11	37
Electrical machinery	36	13	36
Fabricated metals	26	9	35
All Manufacturers	**478**	**166**	**35**
Food	45	14	31
Machinery	62	19	31
Transportation equipment	36	9	25
Primary metals	29	6	21

Forty-four companies made a payment during 1983 to one or more of their five top-paid executives under this plan. Payments for 201 executives are shown below, converted to a percentage of their 1983 base salary.

Payment as Percent of Salary	Executives Number	Percent
100% and over	8	4%
70–99	7	3
60–69	16	8
50–59	17	8
40–49	34	17
30–39	28	15
20–29	36	18
10–19	18	9
Less than 10	37	18
Total	201	100%

The median payment is the equivalent of 33 percent of 1983 salary, with the middle half ranging between 14 and 49 percent of salary. The median payment to chief executive officers, 39 percent of salary, is somewhat higher than that of the second (33 percent), third (30 percent), fourth (29 percent), and fifth highest paid (27 percent).

Stock Option Plans

Eighty-four percent (400) of the 478 manufacturers have a stock option plan.[10] The incidence of stock option plans varies somewhat among the specific manufacturing industries, but at least 71 percent of the companies in each industry has a plan, as shown below.

[10]For an analysis of 189 ISO plans, see Harland Fox, *Incentive Stock Option Plans*. The Conference Board, Research Bulletin No. 148, 1983.

Table 5: 1983 and 1982 Bonus Awards (as Percent of Salary), by Company Size

Executive	Sales Volume $302 Million	$756 Million	$2.3 Billion
Chief Executive			
1983 Bonus (%)	49%	52%	57%
Salary	$223,000	$276,000	$361,000
1982 Bonus (%)	43%	48%	55%
Second Highest Paid			
1983 Bonus (%)	41%	46%	52%
Salary	$156,000	$195,000	$254,000
1982 Bonus (%)	37%	43%	50%
Third Highest Paid			
1983 Bonus (%)	39%	44%	49%
Salary	$127,000	$159,000	$210,000
1982 Bonus (%)	36%	42%	48%
Fourth Highest Paid			
1983 Bonus (%)	37%	42%	49%
Salary	$110,000	$139,000	$183,000
1982 Bonus (%)	34%	38%	44%
Fifth Highest Paid			
1983 Bonus (%)	34%	38%	44%
Salary	$98,000	$125,000	$167,000
1982 Bonus (%)	31%	35%	42%

Industry	Total Companies	With Stock Option Number	Percent
Transportation equipment	36	34	94%
Electrical equipment	36	33	92
Consumer chemicals	30	27	90
Fabricated metals	26	23	89
Stone, clay and glass	23	20	87
Machinery	62	53	86
Paper	25	21	84
All Manufacturers	**478**	**400**	**84**
Food	45	36	80
Primary metals	29	23	79
Printing and publishing	23	18	78
Industrial chemicals	35	25	71

Two-thirds (268) of the companies with a plan provide for grants of *both* incentive stock options (ISO's) and nonqualified options; 17 percent (68) grant only ISO's, and 16 percent (64) only nonqualified options.

Almost three-fourths (297) of the 400 companies with a plan made a regular grant of stock options during 1983. Twenty-six percent of the companies granted *only* ISO's; 17 percent *only* nonqualified options; and 57 percent granted *both* ISO's and nonqualified options. Among the 170 plans that granted both ISO's and nonqualified options, 123 (72 percent) limited nonqualified options to those executives who hit the $100,000 limit on ISO grants.

Most (235) of the 297 manufacturers that granted op-

tions in 1983 provided information about the value of the option for one or more of their five top-paid executives. (The value of an option is the number of shares multiplied by the market price at the time of grant.) The size of the options for 1,120 executives is shown below, converted to a percentage of 1983 base salary.

Value at Grant	*Executives*	
(Percent of Salary)	*Number*	*Percent*
400% or more	33	3%
300–399	21	2
200–299	101	9
150–199	122	11
100–149	232	21
75–99	180	15
50–74	231	21
25–49	143	13
Less than 25%	57	5
Total	1,120	100%

The median value of the option grant for these executives is 94 percent of base salary with the middle half ranging between 57 and 148 percent of salary. The median grant to the chief executive officers (104 percent of salary) and the second highest paid (100 percent) is somewhat higher than that for the third and fourth highest paid (89 percent) and the other executive (86 percent of salary).

One or more of the five top-paid executives in 176 companies exercised a stock option (or SAR) during 1983. The net gain realized in cash or stock (market value less option price) for 527 executives is shown below, converted to a percentage of 1983 base salary.

Gain at Exercise	*Executives*	
(Percent of Salary)	*Number*	*Percent*
400–816%	20	4%
300–399	17	3
200–299	24	5
150–199	31	6
100–149	60	11
75–99	48	9
50–74	79	15
25–49	100	19
15–24	58	11
Less than 15%	90	17
Total	527	100%

The median gain at exercise is equivalent to 52 percent of 1983 salary with the middle half ranging between 21 and 113 percent of salary. For chief executive officers the median is 57 percent; for the second highest paid, 50 percent, for the third, 59 percent; for the fourth, 66 percent; and for the fifth highest paid, 45 percent.

The actual dollar gain at the time of exercise is shown below for these executives.

Dollar Gain	*Executives*	
at Exercise	*Number*	*Percent*
$1 million and over	28	5%
500,000 to 999,000	43	8
300,000 to 499,000	45	9
250,000 to 299,000	27	5
200,000 to 249,000	38	7
150,000 to 199,000	36	7
100,000 to 149,000	65	12
75,000 to 99,000	47	9
50,000 to 74,000	52	10
25,000 to 49,000	78	15
Less than $25,000	68	13
Total	527	100%

The median gain is $114,000, with the middle half ranging between $43,000 and $273,000. For the chief executive officers the median is $189,000; for the second highest paid, $113,000; for the third, $120,000; for the fourth, $93,000; and for the fifth highest paid, $69,000.

Stock-for-stock exercise (stock swaps) are provided for by 68 percent (229) of the 336 companies that grant ISO's and by 66 percent (218) of the 332 plans that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by 41 percent (138) of the 336 plans that grant ISO's. Most plans, 67 percent, limit SAR's to a small group of top management (essentially, "insiders"); the other 33 percent grant SAR's to all ISO recipients.

SAR's are provided by 56 percent (187) of the 332 plans that grant nonqualified options. Most plans (66 percent) limit SAR's to a small group of top management; the other 34 percent grant SAR's to all nonqualified option recipients.

Chapter 3
Manufacturing—Individual Industries

Food and Kindred Products

This industry includes manufacturers and processors of food and beverages for human consumption, and related products such as confections, fats and oils, and animal feeds. (SIC: 20)

The Companies

Executive compensation data for this industry were obtained from 45 companies, classified below according to 1983 sales volume. The smallest company had sales of $100 million; the largest, $9.7 billion.

1983 Sales	*Number of Companies*	
$5 billion and over	6	Median Sales:
$2–4,999 billion	10	$1.1 billion
$1–1,999 billion	8	
500–999 million	10	Middle 50 percent:
200–499 million	6	$360 million to
100–199 million	5	$3.2 billion
Total	45	

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 45 companies is plotted in Chart 2. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$415,000	$303,000 to $705,000
Second	271,000	201,000 to 405,000
Third	230,000	137,000 to 340,000
Fourth	185,000	113,000 to 275,000
Fifth	162,000	97,000 to 265,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	65%	55% to 75%
Third highest	52	43 to 60
Fourth highest	44	37 to 53
Fifth highest	40	31 to 47

As the lines on Chart 3 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid	$\log Y = 1.5722 + 0.3478 \log X$	64%
Second	$\log Y = 1.3929 + 0.3442 \log X$	59
Third	$\log Y = 1.2441 + 0.3599 \log X$	66
Fourth	$\log Y = 1.1773 + 0.3624 \log X$	67
Fifth	$\log Y = 1.1052 + 0.3658 \log X$	69

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Chart 2: Compensation of the Chief Executive, by Company Sales

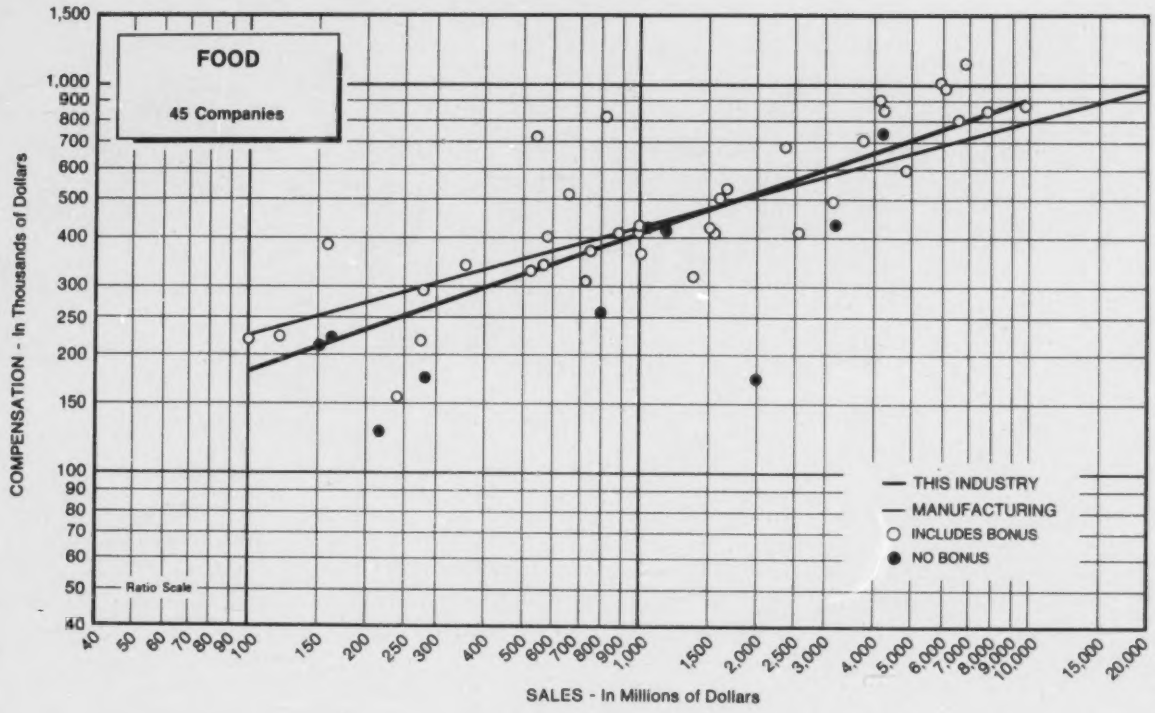
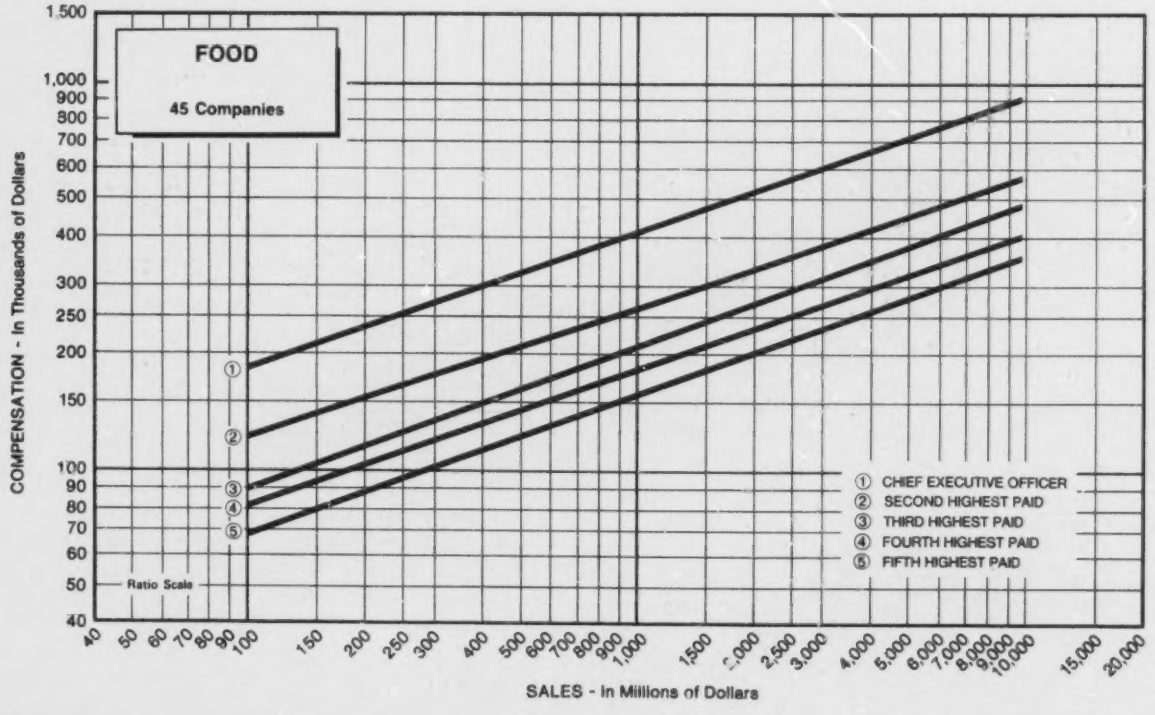


Chart 3: Compensation of the Five Highest Paid Executives, by Company Sales



Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid . . .	log Y = 1.6479 + 0.2790 log X	66%
Second	log Y = 1.4865 + 0.2761 log X	58
Third	log Y = 1.3219 + 0.2968 log X	67
Fourth	log Y = 1.2478 + 0.3022 log X	67
Fifth	log Y = 1.2361 + 0.2899 log X	64

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Forty-three (96 percent) of the 45 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Thirty-eight (88 percent) of these companies made a bonus award for 1983 performance; most (36) also paid a bonus for 1982.

Fourteen (31 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Seven (16 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Thirty-six (80 percent) of the companies have a **stock option plan**. Twenty of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; nine grant only ISO's, and seven only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 18 (62 percent) of the 29 companies that grant ISO's, and by 15 (56 percent) of the 27 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by nine (31 percent) of the 29 companies that grant ISO's. SAR's are provided by 14 (52 percent) of the 27 companies that grant nonqualified options.

Paper and Allied Products

This industry includes manufacturers and processors of paper, paperboard and pulp; and converted products such as bags, boxes and envelopes. (SIC: 26)

The Companies

Executive compensation data for this industry were obtained from 25 companies, classified below according to 1983 sales volume. The smallest company had sales of $143 million; the largest, $4.4 billion.

1983 Sales	*Number of Companies*	
$2 billion and over	8	Median Sales:
$1–1,999 billion	4	$907 million
500–999 million	9	Middle 50 percent:
100–499 million	4	$567 million to
Total	25	$2.4 billion

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 25 companies is plotted in Chart 4. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$446,000	$300,000 to $547,000
Second	302,000	240,000 to 354,000
Third	236,000	163,000 to 267,000
Fourth	197,000	134,000 to 230,000
Fifth	180,000	115,000 to 220,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	68%	62% to 74%
Third highest	55	47 to 61
Fourth highest	49	41 to 54
Fifth highest	45	36 to 48

Chart 4: Compensation of the Chief Executive, by Company Sales

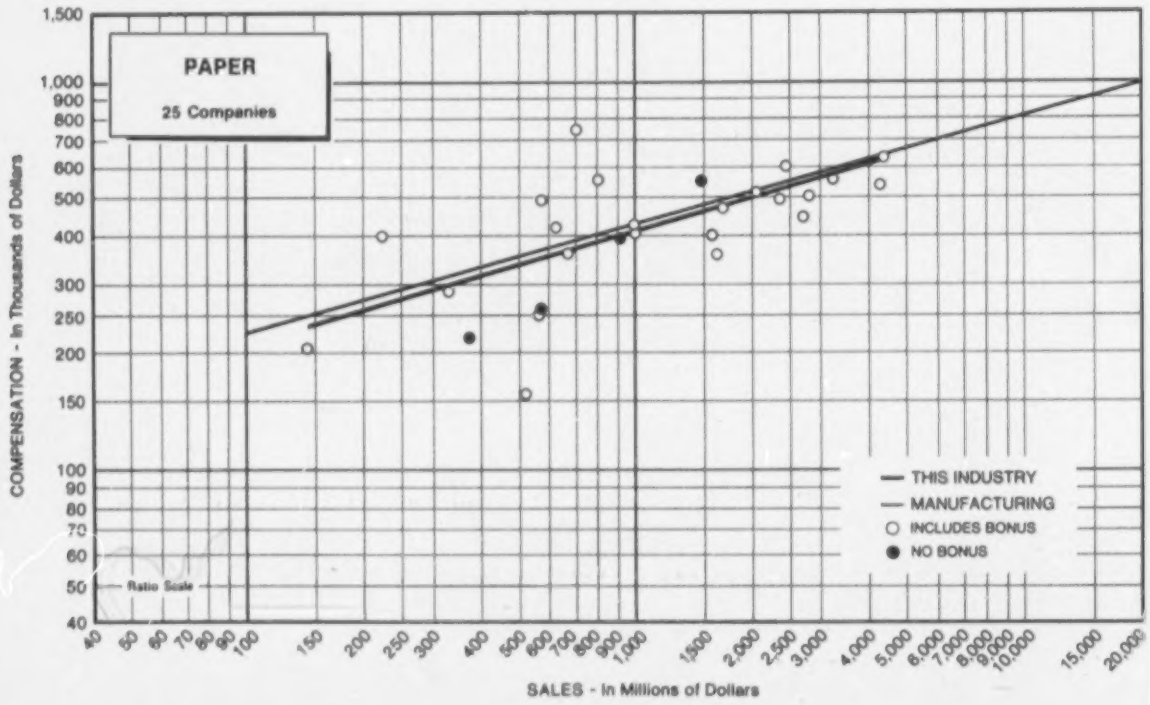
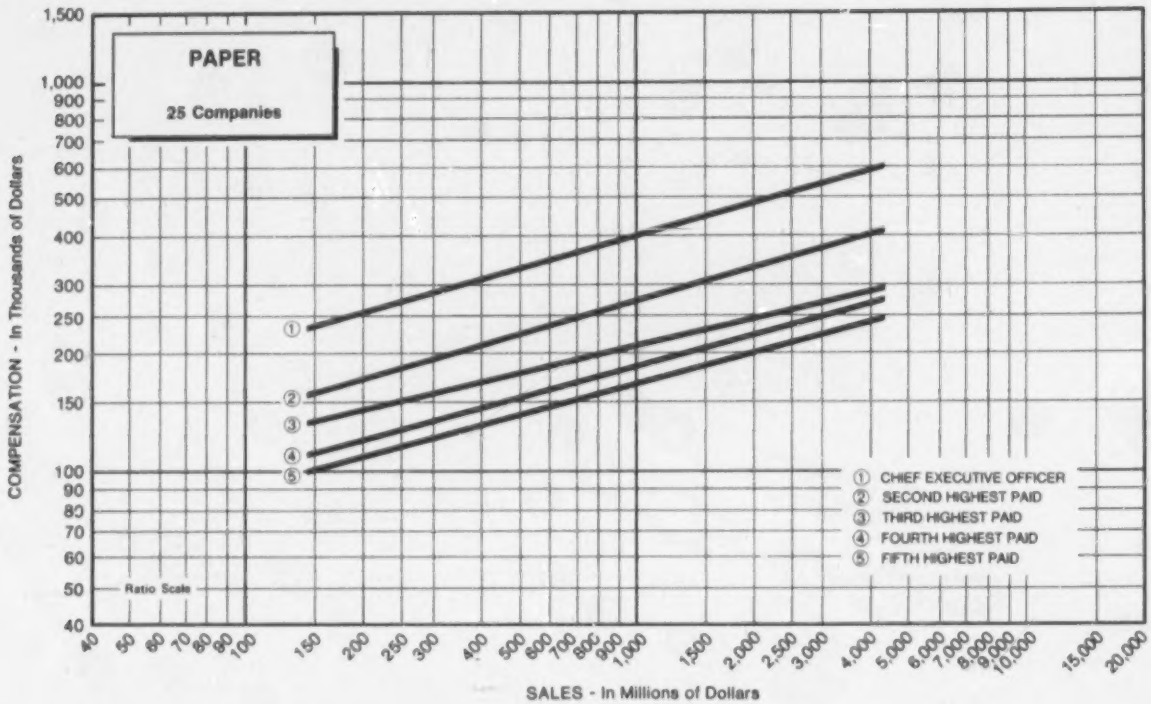


Chart 5: Compensation of the Five Highest Paid Executives, by Company Sales



As the lines on Chart 5 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid . .	log Y = 1.7829 + 0.2734 log X	43%
Second	log Y = 1.5995 + 0.2788 log X	43
Third	log Y = 1.6140 + 0.2364 log X	35
Fourth	log Y = 1.4999 + 0.2567 log X	42
Fifth	log Y = 1.4541 + 0.2584 log X	46

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid . . .	log Y = 1.7177 + 0.2511 log X	51%
Second	log Y = 1.5120 + 0.2661 log X	51
Third	log Y = 1.4630 + 0.2472 log X	50
Fourth	log Y = 1.4182 + 0.2471 log X	57
Fifth	log Y = 1.3859 + 0.2428 log X	67

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Twenty-one (84 percent) of the 25 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Twenty of these companies made a bonus award for 1983 performance; most (12) also paid a bonus for 1982; eight companies did not.

Eleven (44 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Three (12 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Twenty-one (84 percent) of the companies have a **stock option plan**. Fourteen of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; six grant only ISO's, and one only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for

by ten of the 20 companies that grant ISO's, and by nine of the 15 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by nine (45 percent) of the 20 companies that grant ISO's. SAR's are provided by 11 (73 percent) of the 15 companies that grant nonqualified options.

Printing and Publishing

This industry includes companies engaged in printing by one or more of the common processes and companies engaged in publishing newspapers, books and periodicals. (SIC: 27)

The Companies

Executive compensation data for this industry were obtained from 23 companies, classified below according to 1983 sales volume. The smallest company had sales of $116 million; the largest, $2.7 billion.

1983 Sales	*Number of Companies*	
$1 billion and over	7	Median Sales:
500–999 million	4	$448 million
300–499 million	4	Middle 50 percent:
200–299 million	4	$215 million to
100–199 million	4	$1.3 billion
Total	23	

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 23 companies is plotted in Chart 6. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$445,000	$279,000 to $546,000
Second	216,000	172,000 to 413,000
Third	200,000	140,000 to 338,000
Fourth	181,000	129,000 to 315,000
Fifth	174,000	113,000 to 268,000

Chart 6: Compensation of the Chief Executive, by Company Sales

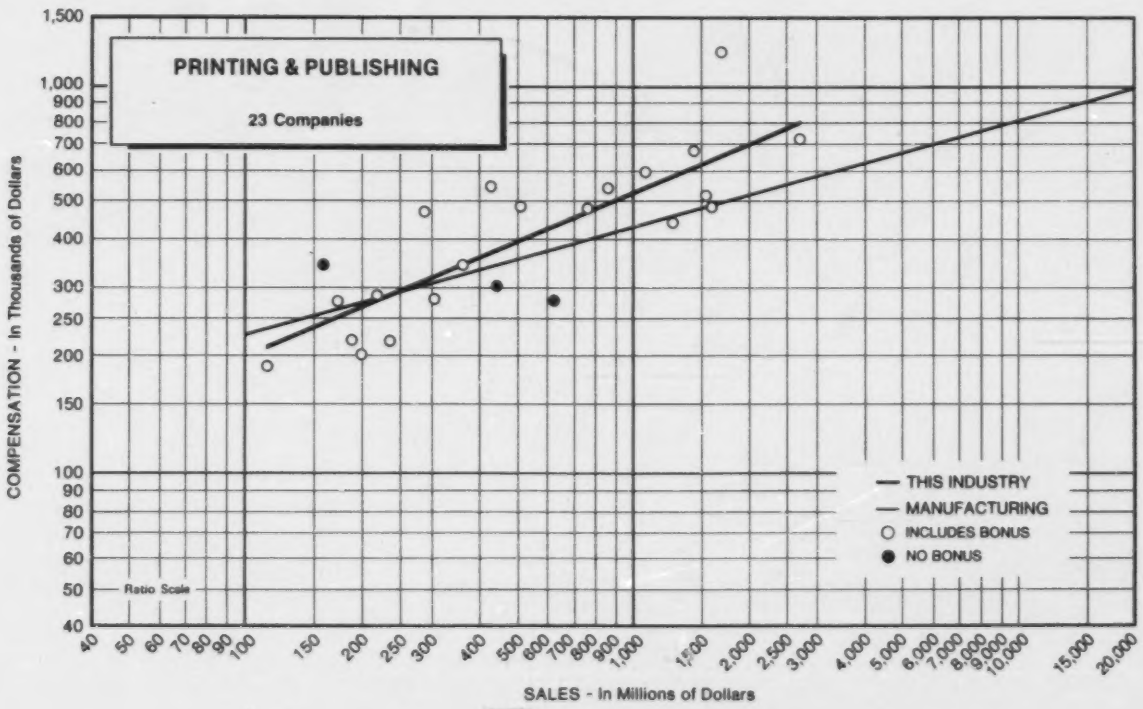
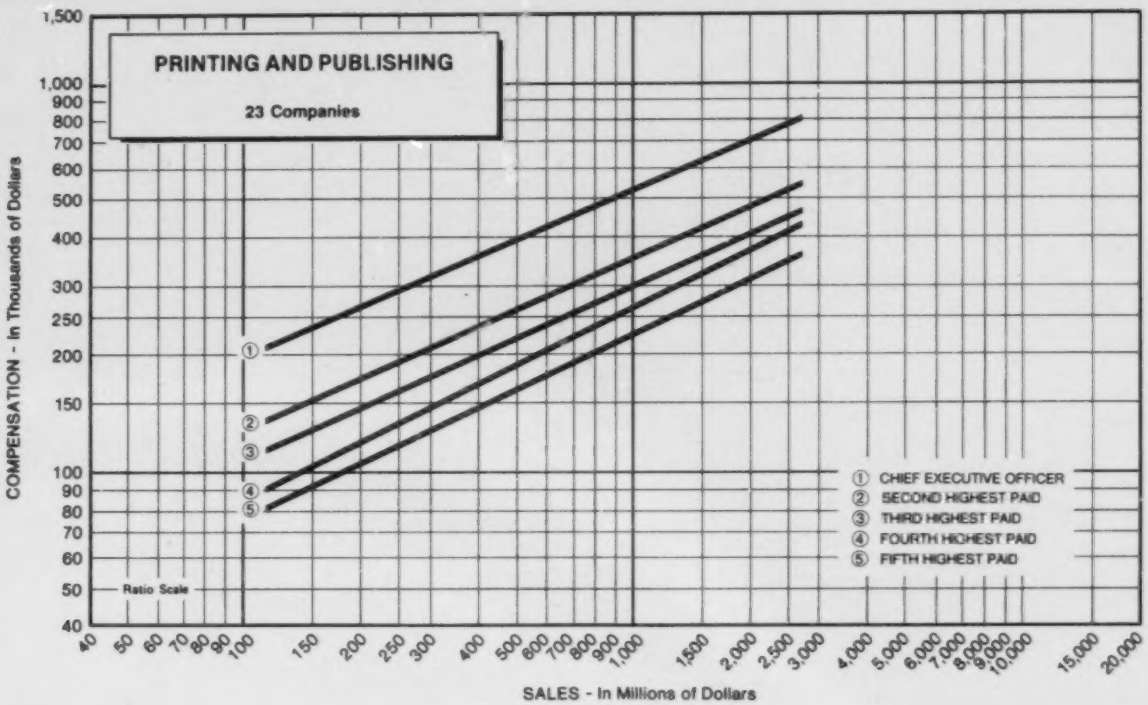


Chart 7: Compensation of the Five Highest Paid Executives, by Company Sales



The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	70%	54% to 80%
Third highest	58	46 to 70
Fourth highest	48	38 to 64
Fifth highest	42	33 to 58

As the lines on Chart 7 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid	log Y = 1.4619 + 0.4194 log X	67%
Second	log Y = 1.2198 + 0.4436 log X	71
Third	log Y = 1.1409 + 0.4446 log X	65
Fourth	log Y = 0.9775 + 0.4822 log X	67
Fifth	log Y = 0.9496 + 0.4688 log X	67

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid	log Y = 1.4858 + 0.3456 log X	47%
Second	log Y = 1.4526 + 0.3046 log X	58
Third	log Y = 1.3982 + 0.2975 log X	48
Fourth	log Y = 1.1063 + 0.3779 log X	63
Fifth	log Y = 1.1734 + 0.3391 log X	55

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Twenty-one (91 percent) of the 23 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Nineteen (90 percent) of these companies made a bonus award for 1983 performance; 18 of them also paid a bonus for 1982.

Nine (39 percent) of the companies have an executive incentive plan that is based on long-term corporate per-

formance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Three (13 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Eighteen (78 percent) of the companies have a **stock option plan**. Thirteen of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; three grant only ISO's, and two only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 11 (73 percent) of the 15 companies that grant ISO's, and by 11 (73 percent) of the 15 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by seven (47 percent) of the 15 companies that grant ISO's. SAR's are provided by 11 (73 percent) of the 15 companies that grant nonqualified options.

Industrial Chemicals

This industry includes producers of basic chemicals such as acids, alkalis, salts and organic chemicals and chemical products to be used in further manufacture such as synthetic fibers, plastics, dry colors and pigments. (SIC: 281, 282, and 285-289)

The Companies

Executive compensation data for this industry were obtained from 35 companies, classified below according to 1983 sales volume. The smallest company had sales of $155 million; the largest, $35 billion.

1983 Sales	*Number of Companies*	
$5 billion and over	7	Median Sales:
$2–4,999 billion	2	$1.3 billion
$1–1,999 billion	12	
500–999 million	7	Middle 50 percent:
100–499 million	7	$635 million to
Total	35	$3.1 billion

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 35 companies is plotted in Chart 8. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$425,000	$310,000 to $763,000
Second	268,000	198,000 to 461,000
Third	216,000	178,000 to 393,000
Fourth	210,000	165,000 to 320,000
Fifth	178,000	143,000 to 300,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	68%	54% to 75%
Third highest	55	49 to 64
Fourth highest	50	42 to 55
Fifth highest	43	38 to 52

Chart 8: Compensation of the Five Highest Paid Executives, by Company Sales

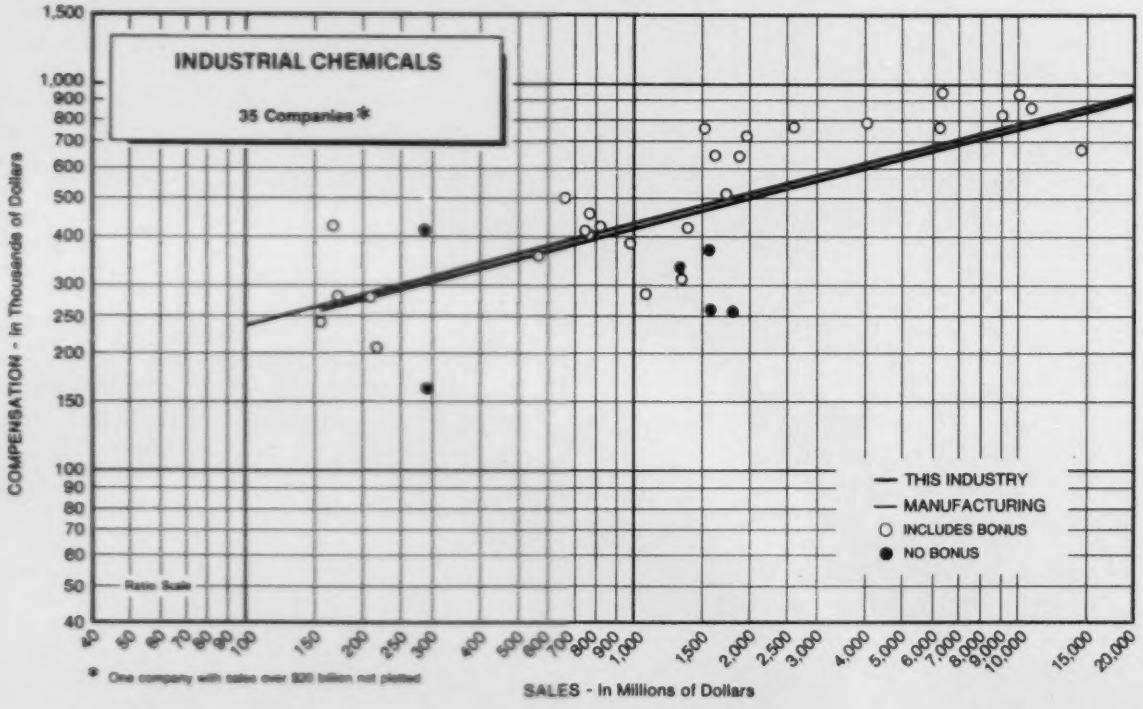
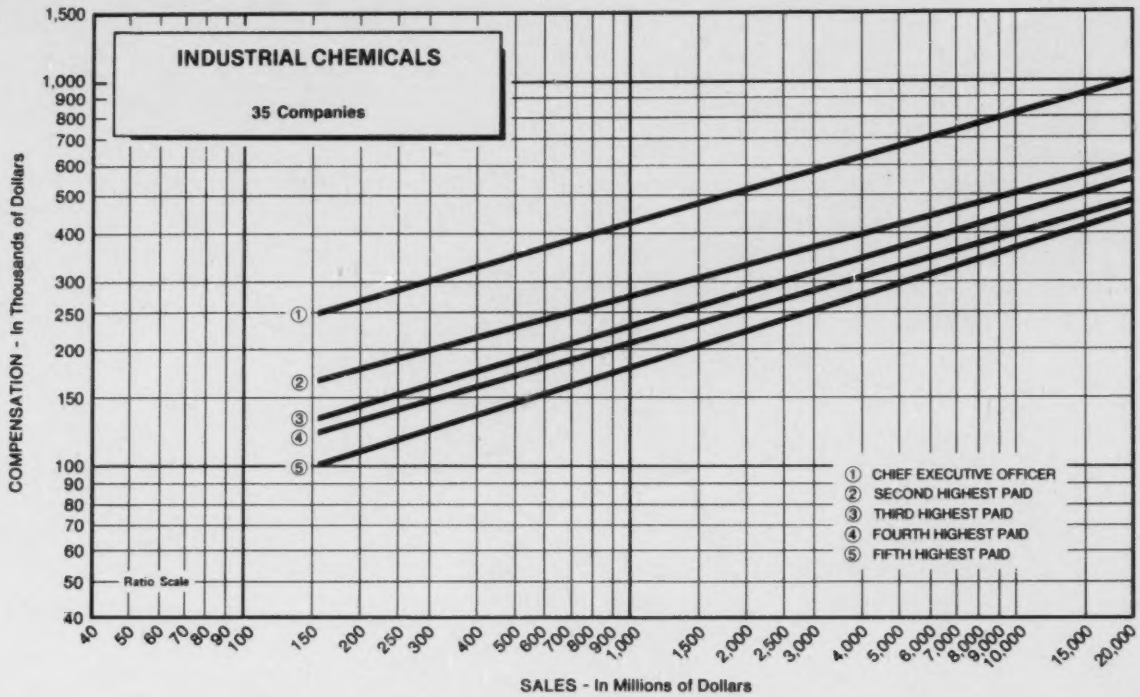


Chart 9: Compensation of the Five Highest Paid Executives, by Company Sales



As the lines on Chart 9 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid . .	log Y = 1.7835 + 0.2816 log X	62%
Second	log Y = 1.6185 + 0.2735 log X	58
Third	log Y = 1.4871 + 0.2923 log X	67
Fourth	log Y = 1.4932 + 0.2740 log X	69
Fifth	log Y = 1.3585 + 0.2990 log X	70

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid . . .	log Y = 1.7048 + 0.2602 log X	73%
Second	log Y = 1.5723 + 0.2420 log X	61
Third	log Y = 1.4957 + 0.2484 log X	71
Fourth	log Y = 1.4139 + 0.2551 log X	73
Fifth	log Y = 1.3386 + 0.2621 log X	70

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Thirty-four (97 percent) of the 35 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Thirty (88 percent) of these companies made a bonus award for 1983 performance; most (26) also paid a bonus for 1982.

Sixteen (46 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Six (17 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Twenty-five (71 percent) of the companies have a **stock option plan**. Eighteen of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; three grant only ISO's, and four only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 17 (81 percent) of the 21 companies that grant ISO's,

and by 18 (82 percent) of the 22 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by 10 (48 percent) of the 21 companies that grant ISO's. SAR's are provided by 14 (64 percent) of the 22 companies that grant nonqualified options.

Consumer Chemicals

This industry includes manufacturers of finished chemical products to be used for ultimate consumption such as drugs, soap and detergents and cleaning preparations, perfumes, cosmetics and other toilet preparations. (SIC: 283 and 284)

The Companies

Executive compensation data for this industry were obtained from 30 companies, classified below according to 1983 sales volume. The smallest company had sales of $215 million; the largest, $12.0 billion.

1983 Sales	*Number of Companies*	
$2 billion and over	9	Median Sales:
$1–1,999 billion	7	$1.2 billion
500–999 million	4	Middle 50 percent:
200–499 million	10	$327 million to
Total	30	$3.0 billion

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 30 companies is plotted in Chart 10. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$500,000	$364,000 to $703,000
Second	373,000	262,000 to 528,000
Third	296,000	205,000 to 405,000
Fourth	279,000	195,000 to 323,000
Fifth	265,000	160,000 to 315,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	76%	64% to 83%
Third highest	55	49 to 70
Fourth highest	49	42 to 62
Fifth highest	47	38 to 57

Chart 10: Compensation of the Chief Executive, by Company Sales

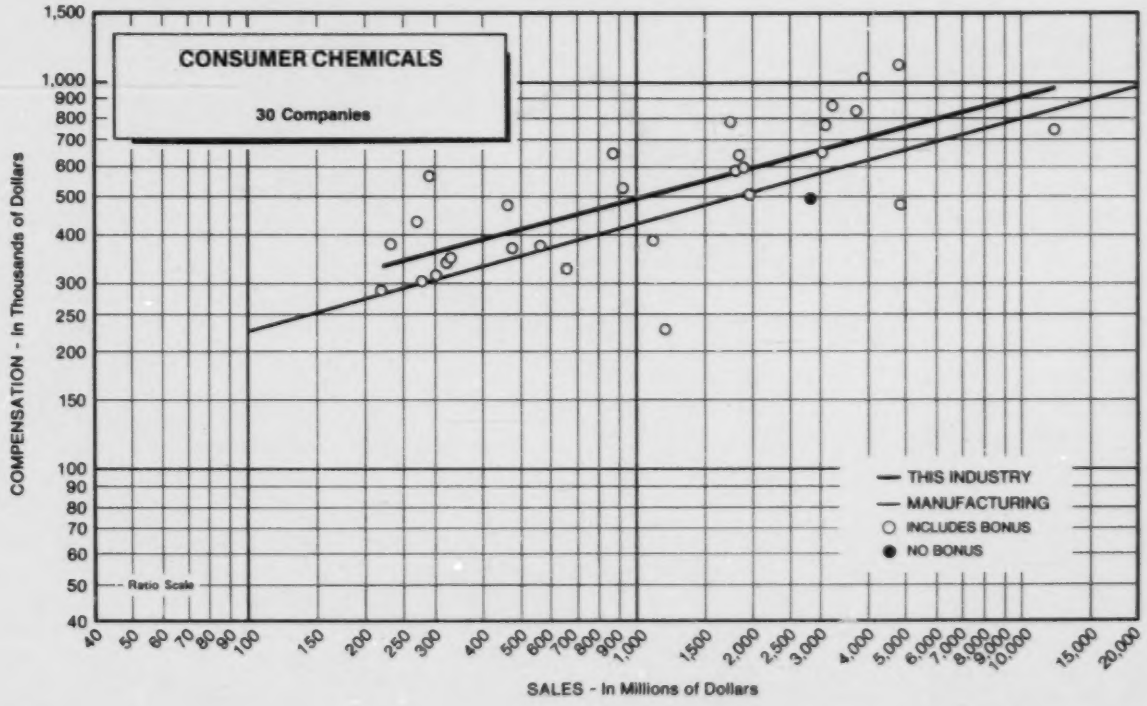
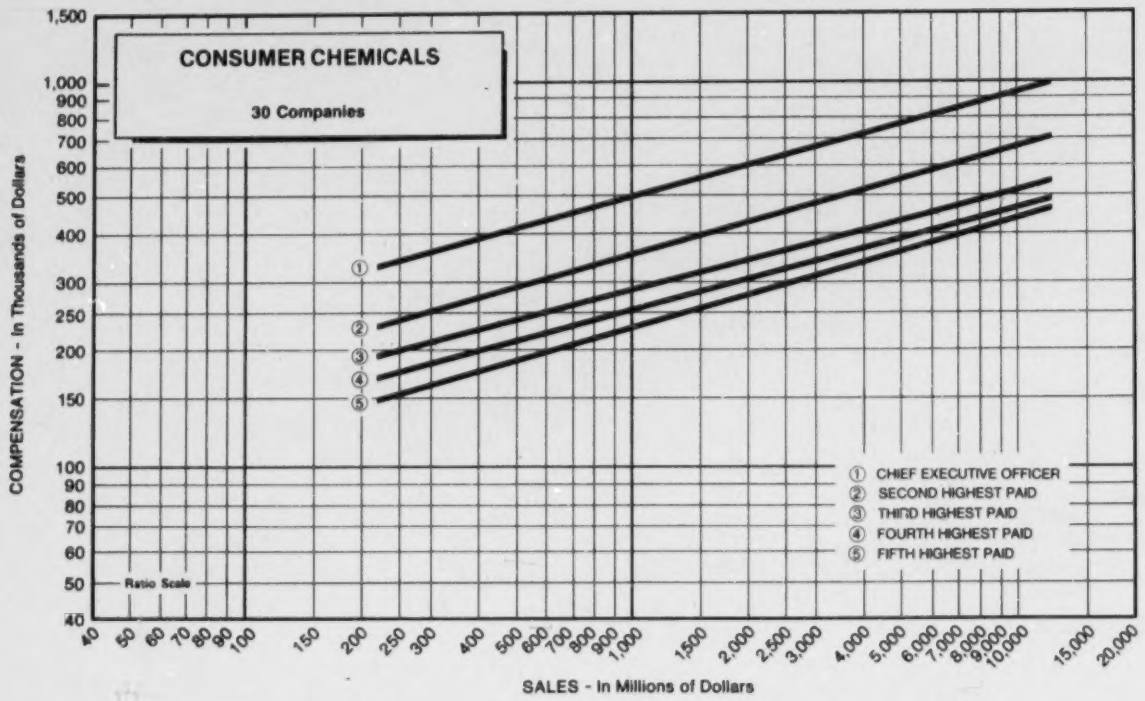


Chart 11: Compensation of the Five Highest Paid Executives, by Company Sales



As the lines on Chart 11 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid ..	log Y = 1.9051 + 0.2630 log X	53%
Second	log Y = 1.7208 + 0.2763 log X	58
Third	log Y = 1.6913 + 0.2547 log X	54
Fourth	log Y = 1.6196 + 0.2602 log X	56
Fifth	log Y = 1.5186 + 0.2797 log X	57

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid ...	log Y = 1.8584 + 0.2224 log X	58%
Second	log Y = 1.7172 + 0.2271 log X	62
Third	log Y = 1.6286 + 0.2244 log X	59
Fourth	log Y = 1.5886 + 0.2202 log X	55
Fifth	log Y = 1.5148 + 0.2362 log X	58

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Twenty-nine (97 percent) of the 30 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Twenty-eight (96 percent) of these companies made a bonus award for 1983 performance; all but one also paid a bonus for 1982.

Eleven (37 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Seven (23 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Twenty-seven (90 percent) of the companies have a **stock option plan**. Twenty-three of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; two grant only ISO's, and two only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 20 (80 percent) of the 25 companies that grant ISO's, and by 18 (72 percent) of the 25 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by ten (40 percent) of the 25 companies that grant ISO's. SAR's are provided by 13 (52 percent) of the 25 companies that grant nonqualified options.

Stone, Clay, Glass and Concrete Products

This industry includes manufacturers of flat glass and other glass products, cement, structural clay products, pottery, concrete and gypsum products, cut stone products, abrasive and asbestos products, etc., from materials taken principally from the earth in the form of stone, clay and sand. (SIC: 32)

The Companies

Executive compensation data for this industry were obtained from 23 companies, classified below according to 1983 sales volume. The smallest company had sales of $128 million; the largest, $7.0 billion.

1983 Sales	*Number of Companies*	
$2 billion and over	5	Median Sales:
$1–1,999 billion	6	$829 million
500–999 million	2	Middle 50 percent:
300–499 million	7	$340 million to
100–299 million	3	$1.9 billion
Total	23	

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 23 companies is plotted in Chart 12. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$421,000	$305,000 to $559,000
Second	278,000	218,000 to 361,000
Third	208,000	170,000 to 293,000
Fourth	191,000	150,000 to 246,000
Fifth	165,000	131,000 to 235,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	71%	59% to 80%
Third highest	56	48 to 63
Fourth highest	48	41 to 56
Fifth highest	42	38 to 46

Chart 12: Compensation of the Chief Executive, by Company Sales

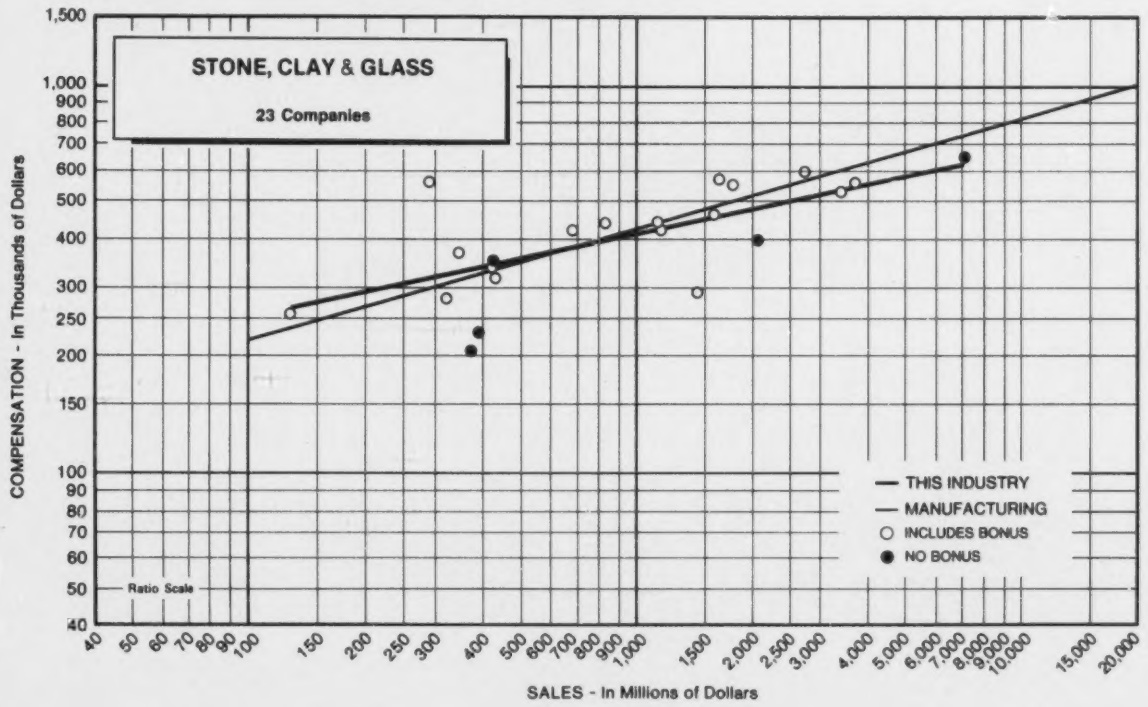
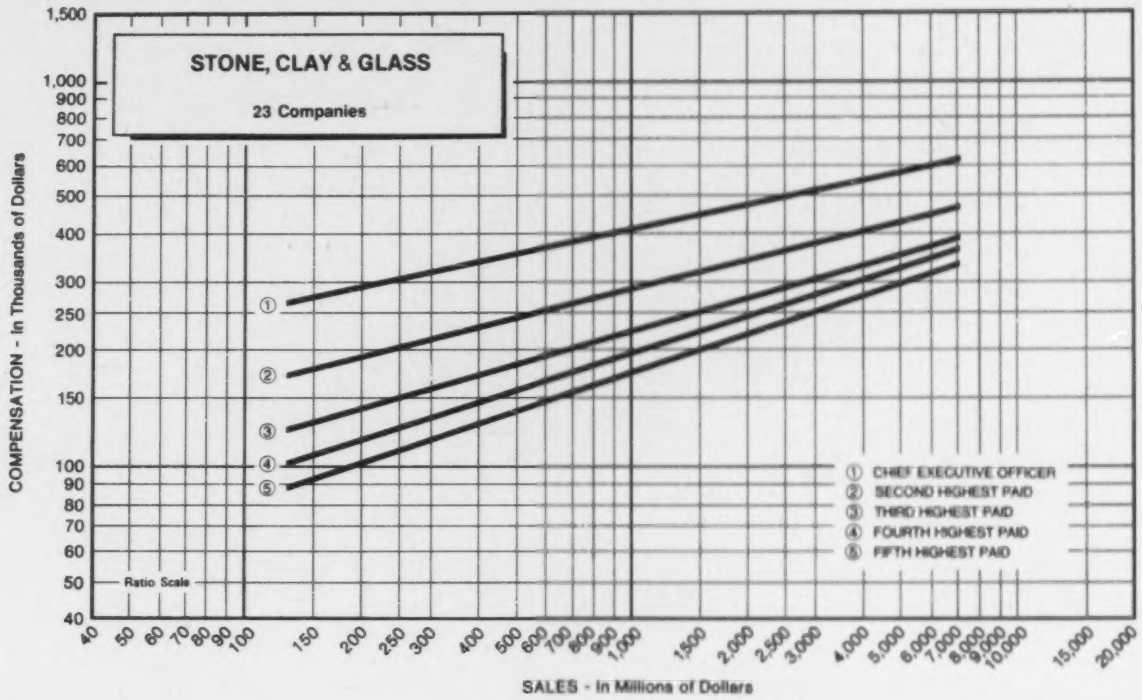


Chart 13: Compensation of the Five Highest Paid Executives, by Company Sales


STONE, CLAY & GLASS
23 Companies
COMPENSATION - In Thousands of Dollars
SALES - In Millions of Dollars
Ratio Scale
① CHIEF EXECUTIVE OFFICER
② SECOND HIGHEST PAID
③ THIRD HIGHEST PAID
④ FOURTH HIGHEST PAID
⑤ FIFTH HIGHEST PAID

As the lines on Chart 13 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid ..	log Y = 1.9655 + 0.2181 log X	48%
Second	log Y = 1.7091 + 0.2507 log X	57
Third	log Y = 1.5026 + 0.2823 log X	56
Fourth	log Y = 1.3657 + 0.3089 log X	65
Fifth	log Y = 1.2458 + 0.3320 log X	62

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid ...	log Y = 1.6998 + 0.2595 log X	70%
Second	log Y = 1.5450 + 0.2598 log X	54
Third	log Y = 1.4109 + 0.2764 log X	68
Fourth	log Y = 1.3030 + 0.2914 log X	71
Fifth	log Y = 1.1712 + 0.3229 log X	70

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Twenty (87 percent) of the 23 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Eighteen (90 percent) of these companies made a bonus award for 1983 performance; most (15) also paid a bonus for 1982.

Eleven (48 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Five (22 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Twenty (87 percent) of the companies have a **stock option plan**. Sixteen of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; two grant only ISO's, and two only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 14 (78 percent) of the 18 companies that grant ISO's,

and by 13 (72 percent) of the 18 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by seven (39 percent) of the 18 companies that grant ISO's. SAR's are provided by 11 (61 percent) of the 18 companies that grant nonqualified options.

Primary Metals

This industry includes companies engaged in the smelting of ferrous and nonferrous metals; in rolling, drawing and alloying these metals; in the manufacture of castings, forgings and other basic metal products; and in the manufacture of nails, spikes and insulated wire and cable. (SIC: 33)

The Companies

Executive compensation data for this industry were obtained from 29 companies, classified below according to 1983 sales volume. The smallest company had sales of $104 million; the largest, $17.5 billion.

1983 Sales	*Number of Companies*	
$5 billion and over	2	Median Sales:
$1–4,999 billion	9	$508 million
500–999 million	4	Middle 50 percent:
300–499 million	5	$225 million to
100–299 million	9	$2.8 billion
Total	29	

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 29 companies is plotted in Chart 14. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$329,000	$220,000 to $487,000
Second	227,000	125,000 to 325,000
Third	158,000	112,000 to 257,000
Fourth	140,000	104,000 to 242,000
Fifth	126,000	92,000 to 209,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	62%	54% to 78%
Third highest	54	46 to 59
Fourth highest	46	38 to 53
Fifth highest	42	34 to 48

Chart 14: Compensation of the Chief Executive, by Company Sales

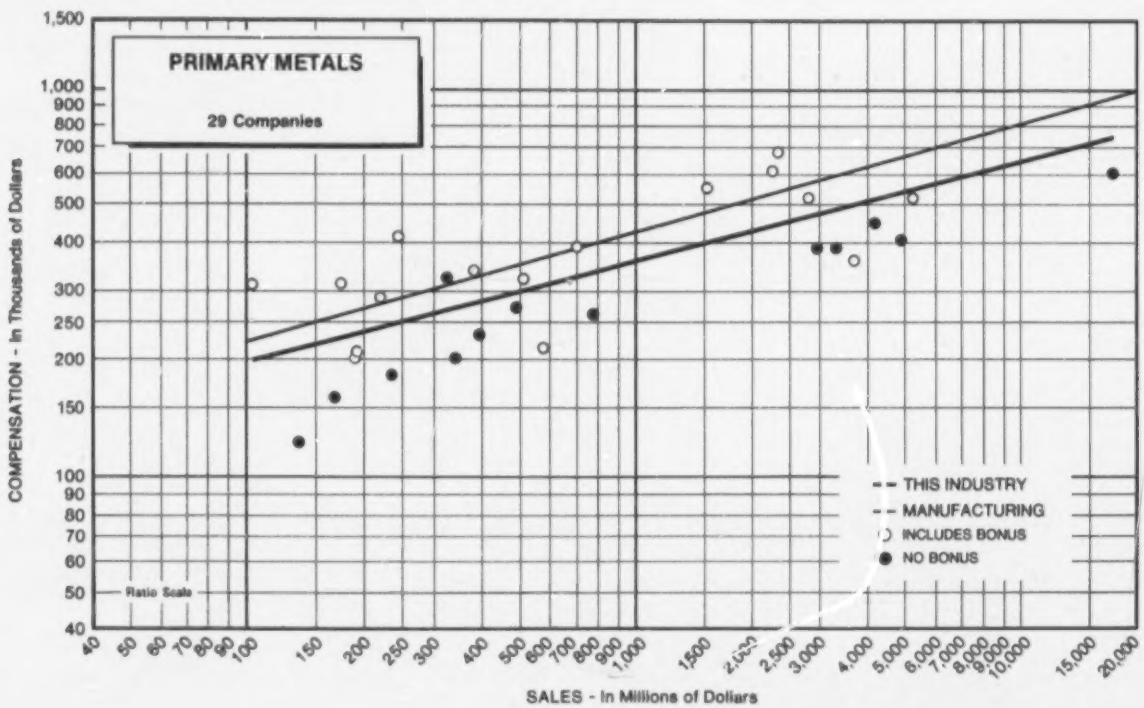
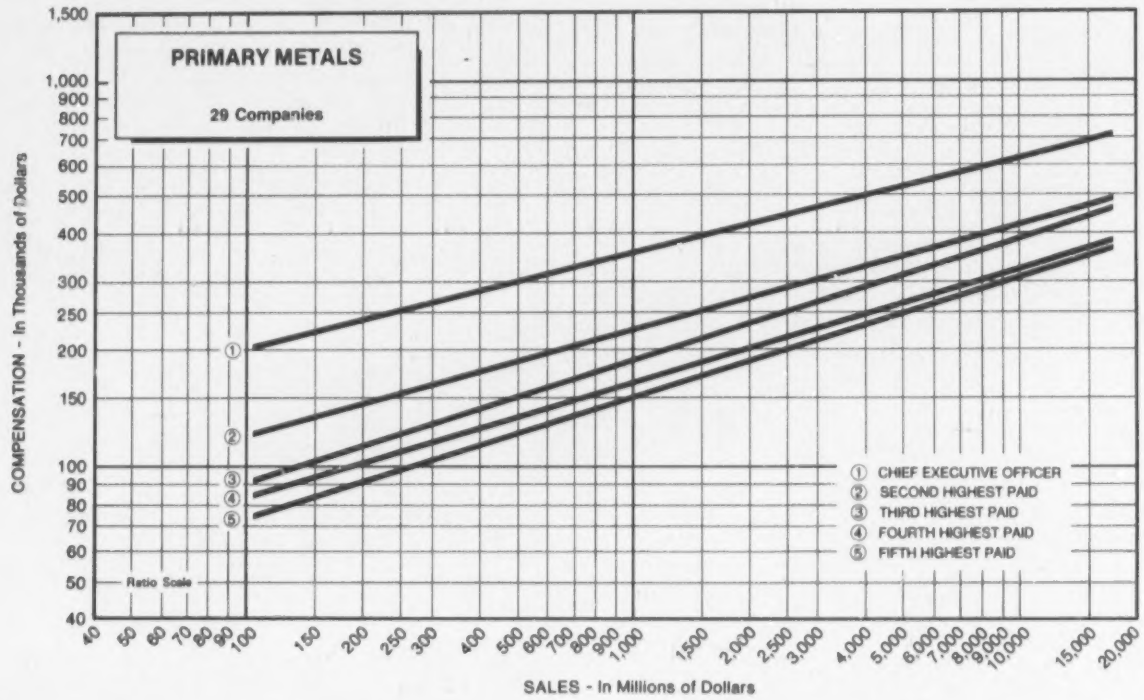


Chart 15: Compensation of the Five Highest Paid Executives, by Company Sales



As the lines on Chart 15 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid . .	log Y = 1.7871 + 0.2568 log X	58%
Second	log Y = 1.5351 + 0.2728 log X	56
Third	log Y = 1.3674 + 0.3025 log X	64
Fourth	log Y = 1.3290 + 0.2973 log X	65
Fifth	log Y = 1.2505 + 0.3074 log X	77

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid . . .	log Y = 1.5348 + 0.3096 log X	79%
Second	log Y = 1.3066 + 0.3180 log X	70
Third	log Y = 1.1477 + 0.3466 log X	82
Fourth	log Y = 1.1157 + 0.3412 log X	82
Fifth	log Y = 1.0802 + 0.3418 log X	80

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Twenty-eight (97 percent) of the 29 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Fifteen (54 percent) of these companies made a bonus award for 1983 performance; ten of them also paid a bonus for 1982.

Six (21 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Three (10 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Twenty-three (79 percent) of the companies have a **stock option plan**. Fifteen of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; two grant only ISO's, and six only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 11 (65 percent) of the 17 companies that grant ISO's,

and by 14 (67 percent) of the 21 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by eight of the 17 companies that grant ISO's. SAR's are provided by 17 (81 percent) of the 21 companies that grant nonqualified options.

Fabricated Metal Products (except Machinery and Transportation Equipment)

This industry includes manufacturers of ferrous and nonferrous metals products such as metal cans, tinware, hand tools, cutlery, hardware, fabricated structural metal products, metal stampings, and a variety of metal and wire products. Excluded are machinery, transportation equipment, professional, scientific and controlling instruments, jewelry and silverware. (SIC: 34)

The Companies

Executive compensation data for this industry were obtained from 26 companies, classified below according to 1983 sales volume. The smallest company had sales of $110 million; the largest, $3.7 billion.

1983 Sales	*Number of Companies*	
$1 billion and over	3	Median Sales:
500–999 million	7	$442 million
300–499 million	8	Middle 50 percent:
100–299 million	8	$219 million to
		$808 million
Total	26	

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 26 companies is plotted in Chart 16. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$372,000	$267,000 to $483,000
Second	249,000	180,000 to 319,000
Third	208,000	133,000 to 257,000
Fourth	162,000	121,000 to 203,000
Fifth	140,000	114,000 to 177,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	72%	55% to 80%
Third highest	52	44 to 66
Fourth highest	44	38 to 50
Fifth highest	42	28 to 46

Chart 16: Compensation of the Chief Executive, by Company Sales

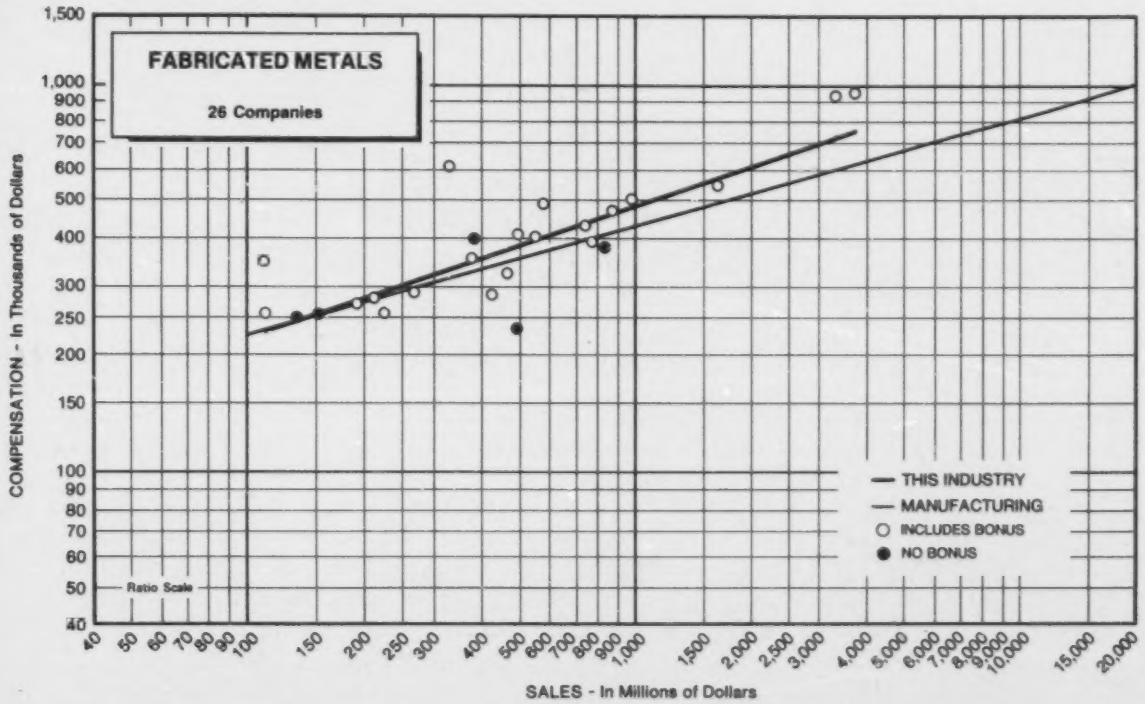
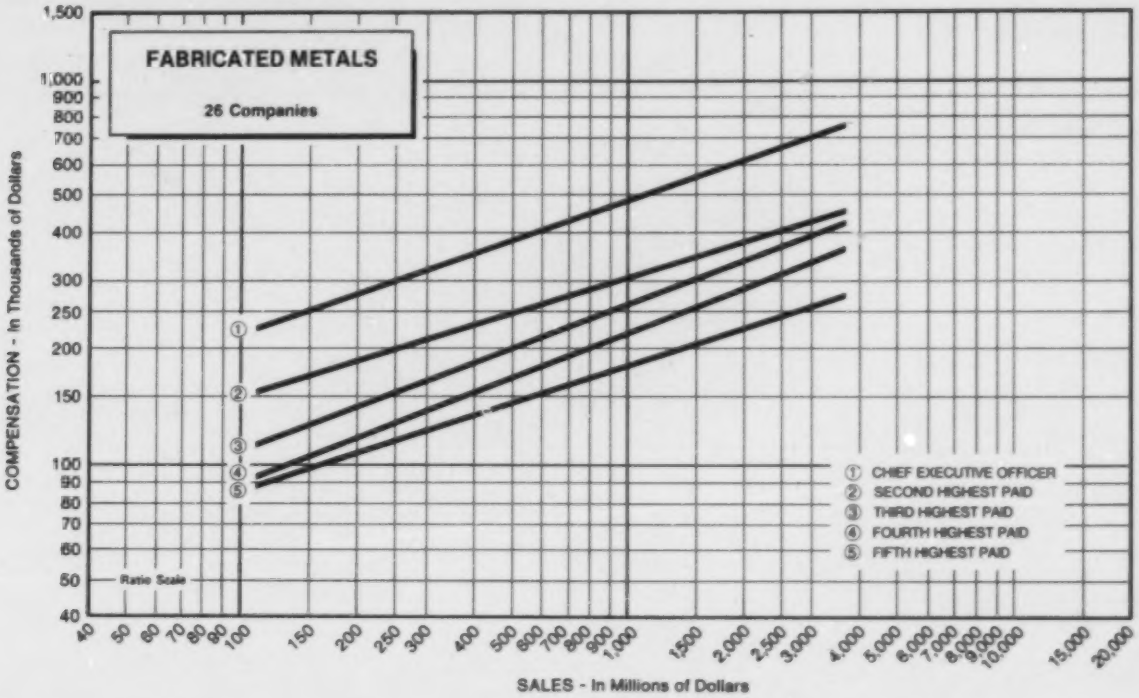


Chart 17: Compensation of the Five Highest Paid Executives, by Company Sales



As the lines on Chart 17 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid	$\log Y = 1.6643 + 0.3393 \log X$	53%
Second	$\log Y = 1.5786 + 0.3033 \log X$	38
Third	$\log Y = 1.2963 + 0.3752 \log X$	51
Fourth	$\log Y = 1.1663 + 0.3906 \log X$	69
Fifth	$\log Y = 1.3311 + 0.3088 \log X$	57

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid	$\log Y = 1.7223 + 0.2652 \log X$	45%
Second	$\log Y = 1.6834 + 0.2097 \log X$	38
Third	$\log Y = 1.3764 + 0.2986 \log X$	60
Fourth	$\log Y = 1.3073 + 0.2880 \log X$	57
Fifth	$\log Y = 1.3756 + 0.2535 \log X$	57

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

All but one of the 26 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Twenty-three (92 percent) of these companies made a bonus award for 1983 performance; all but two of them also paid a bonus for 1982.

Nine (35 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Six (23 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Twenty-three (89 percent) of the companies have a **stock option plan**. Eighteen of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; one grants only ISO's, and four only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 15 (79 percent) of the 19 companies that grant ISO's,

and by 16 (72 percent) of the 22 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by seven (37 percent) of the 19 companies that grant ISO's. SAR's are provided by ten (45 percent) of the 22 companies that grant nonqualified options.

Machinery (except Electrical)

This industry includes manufacturers of machinery and equipment, other than electrical equipment and transportation equipment. Machines powered by built-in or detachable motors are included, except for electrical household appliances. Portable tools, both electrical and pneumatic-powered, are included, but not hand tools. Includes office machines and computers. (SIC: 35)

The Companies

Executive compensation data for this industry were obtained from 62 companies, classified below according to 1983 sales volume. The smallest company had sales of $120 million; the largest, $40 billion.

1983 Sales	*Number of Companies*	
$5 billion and over	3	Median Sales:
$2–4,999 billion	7	$682 million
$1–1,999 billion	12	
500–999 million	13	Middle 50 percent:
300–499 million	6	$203 million to
200–299 million	6	$1.6 billion
100–199 million	15	
Total	62	

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 62 companies is plotted in Chart 18. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$393,000	$252,000 to $542,000
Second	255,000	168,000 to 372,000
Third	182,000	126,000 to 268,000
Fourth	174,000	120,000 to 251,000
Fifth	149,000	100,000 to 204,000

Chart 18: Compensation of the Chief Executive, by Company Sales

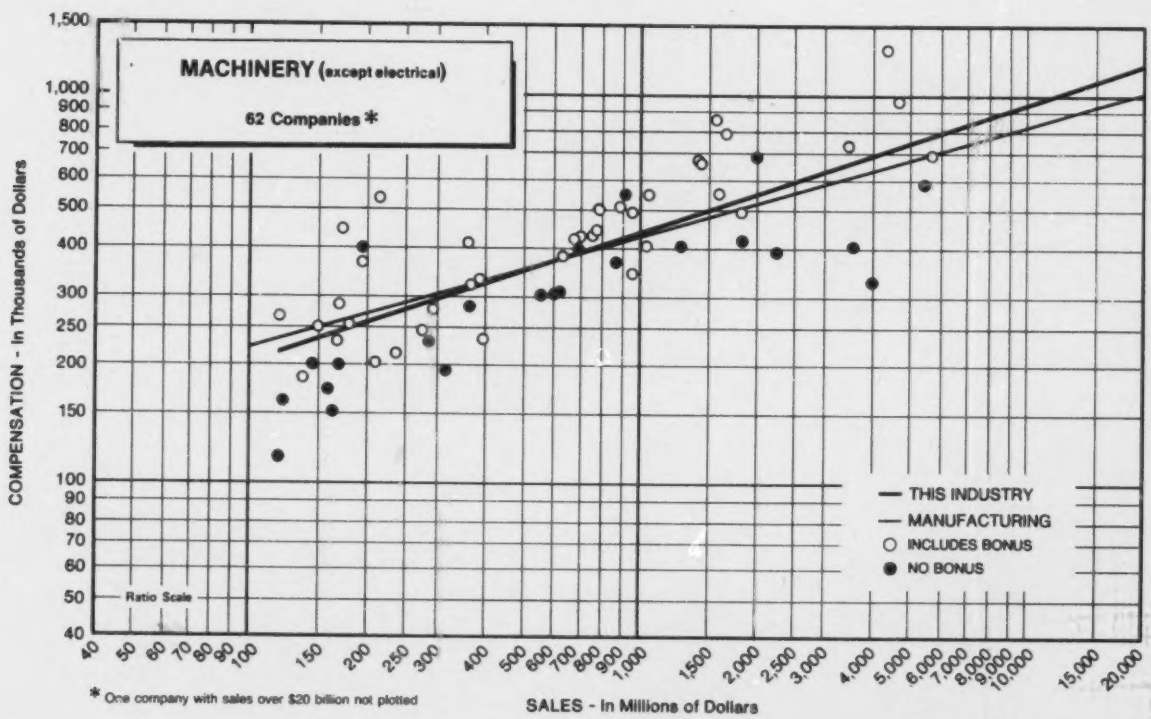
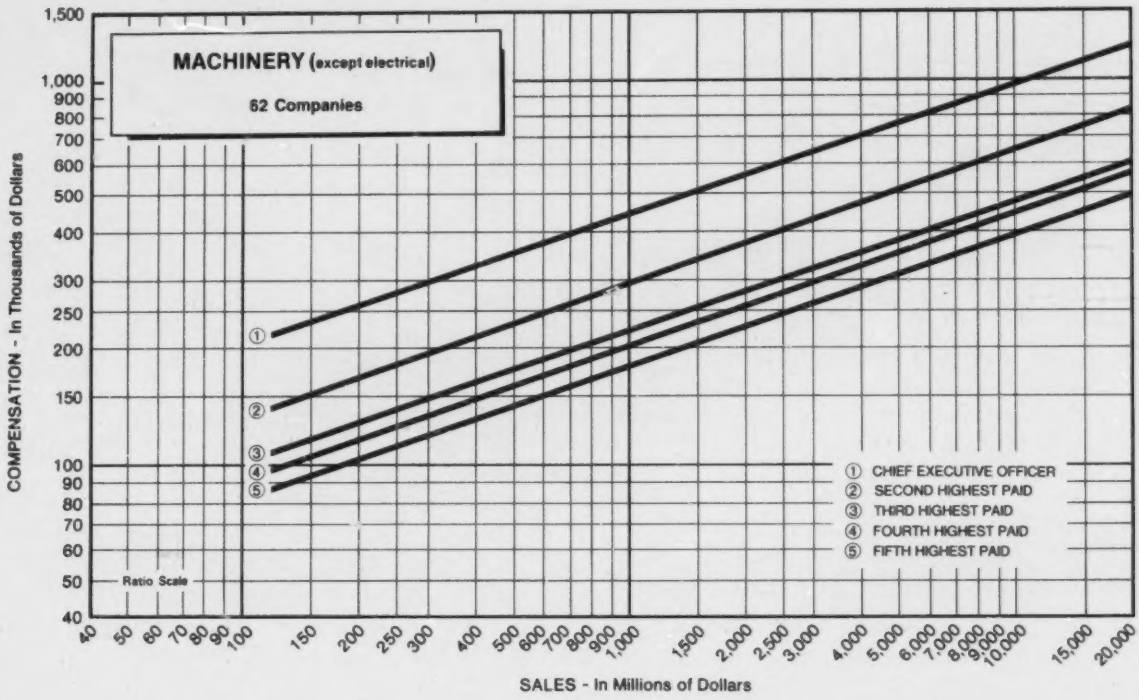


Chart 19: Compensation of the Five Highest Paid Executives, by Company Sales



The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	70%	55% to 77%
Third highest	50	44 to 57
Fourth highest	45	39 to 54
Fifth highest	40	36 to 47

As the lines on Chart 19 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid	log Y = 1.6568 + 0.3300 log X	58%
Second	log Y = 1.4463 + 0.3417 log X	60
Third	log Y = 1.3742 + 0.3243 log X	68
Fourth	log Y = 1.3263 + 0.3247 log X	68
Fifth	log Y = 1.2668 + 0.3273 log X	74

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid	log Y = 1.6863 + 0.2785 log X	55%
Second	log Y = 1.4848 + 0.2911 log X	57
Third	log Y = 1.5221 + 0.2345 log X	53
Fourth	log Y = 1.4329 + 0.2538 log X	66
Fifth	log Y = 1.3715 + 0.2598 log X	72

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Fifty-five (89 percent) of the 62 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Forty-two (76 percent) of these companies made a bonus award for 1983 performance; most (38) also paid a bonus for 1982.

Nineteen (31 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Ten (16 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Fifty-three (86 percent) of the companies have a **stock option plan**. Forty-two of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; eight grant only ISO's, and three only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 34 (68 percent) of the 50 companies that grant ISO's, and by 33 (72 percent) of the 45 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by 22 (33 percent) of the 50 companies that grant ISO's. SAR's are provided by 19 (42 percent) of the 45 companies that grant nonqualified options.

Electrical and Electronic Machinery, Equipment and Supplies

This industry includes manufacturers of machinery, apparatus and supplies for the generation, storage, transportation, transformation and utilization of electrical energy. Includes household appliances, but not industrial machinery powered by built-in or detachable electric motors. Includes electronic components. (SIC: 36)

The Companies

Executive compensation data for this industry were obtained from 36 companies, classified below according to 1983 sales volume. The smallest company had sales of $107 million; the largest, $26.7 billion.

1983 Sales	*Number of Companies*	
$5 billion and over	4	Median Sales:
$2–4,999 billion	6	$613 million
$1–1,999 billion	4	
300–999 million	8	Middle 50 percent:
200–299 million	5	$168 million to
100–199 million	9	$2.5 billion
Total	36	

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 36 companies is plotted in Chart 20. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$373,000	$262,000 to $570,000
Second	222,000	163,000 to 360,000
Third	185,000	144,000 to 322,000
Fourth	157,000	125,000 to 295,000
Fifth	140,000	109,000 to 248,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	72%	58% to 78%
Third highest	56	49 to 64
Fourth highest	50	40 to 58
Fifth highest	46	37 to 52

As the lines on Chart 21 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid	$\log Y = 1.7029 + 0.3062 \log X$	78%
Second	$\log Y = 1.5006 + 0.3143 \log X$	81
Third	$\log Y = 1.3962 + 0.3257 \log X$	83
Fourth	$\log Y = 1.3605 + 0.3167 \log X$	81
Fifth	$\log Y = 1.3293 + 0.3111 \log X$	81

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid	$\log Y = 1.8299 + 0.2140 \log X$	73%
Second	$\log Y = 1.5844 + 0.2364 \log X$	74
Third	$\log Y = 1.4530 + 0.2624 \log X$	75
Fourth	$\log Y = 1.4514 + 0.2385 \log X$	79
Fifth	$\log Y = 1.4153 + 0.2371 \log X$	72

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

Thirty-four (94 percent) of the 36 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Thirty-one (91 percent) of these companies made a bonus award for 1983 performance; all but four also paid a bonus for 1982.

Chart 20: Compensation of the Chief Executive, by Company Sales

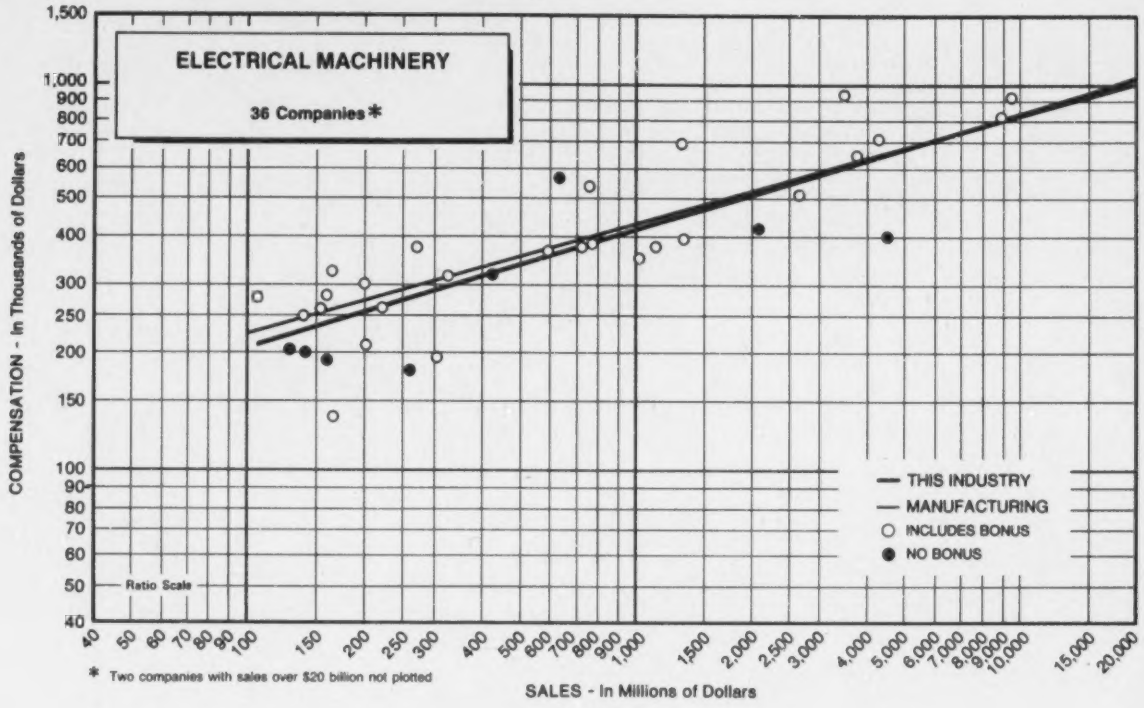
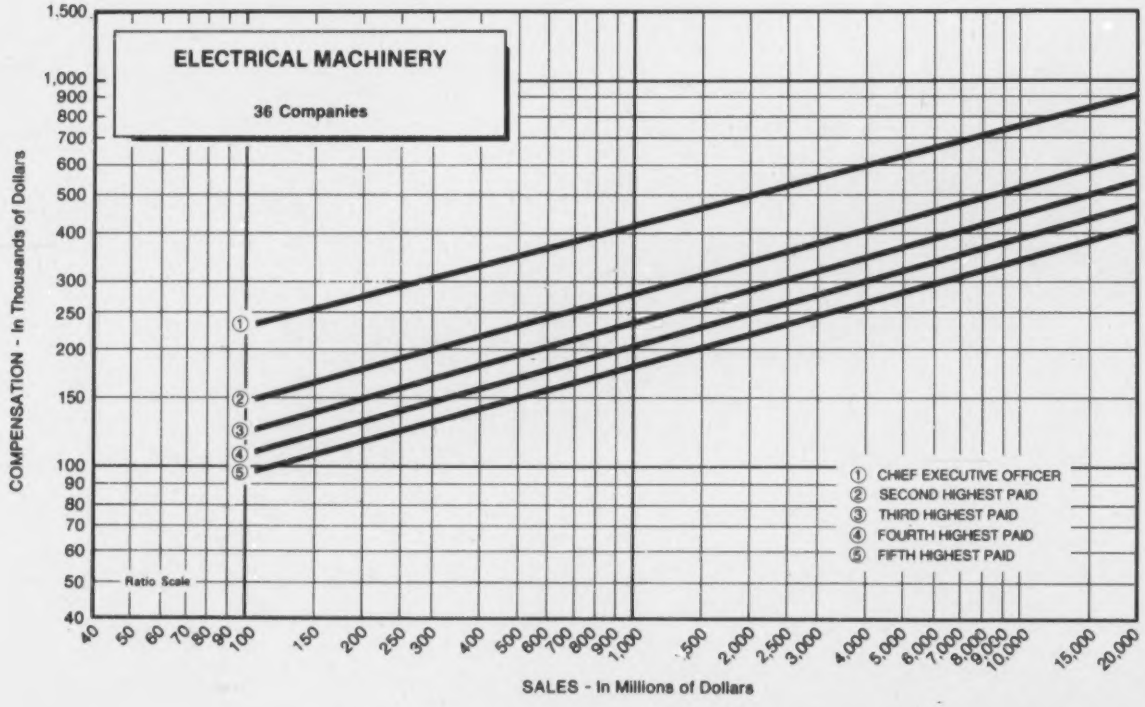


Chart 21: Compensation of the Five Highest Paid Executives, by Company Sales



Thirteen (36 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Five (14 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Thirty-three (92 percent) of the companies have a **stock option plan**. Twenty-six of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; four grant only ISO's, and three only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 21 (70 percent) of the 30 companies that grant ISO's, and by 20 (69 percent) of the 29 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by 11 (37 percent) of the 30 companies that grant ISO's. SAR's are provided by 14 (48 percent) of the 29 companies that grant nonqualified options.

Transportation Equipment

This industry includes manufacturers of equipment for transportation of passengers and cargo by land, water and air. (SIC: 37)

The Companies

Executive compensation data for this industry were obtained from 36 companies, classified below according to 1983 sales volume. The smallest company had sales of $119 million; the largest, $75 billion.

1983 Sales	*Number of Companies*	
$5 billion and over	9	Median Sales:
$1–4,999 billion	8	$767 million
300–999 million	12	Middle 50 percent:
100–299 million	7	$350 million to
Total	36	$6.9 billion

1983 Compensation

For each manufacturer in this industry, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation of each of the chief executive officers in this particular sample of 36 companies is plotted in Chart 22. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Highest paid	$546,000	$360,000 to $740,000
Second	337,000	221,000 to 524,000
Third	270,000	187,000 to 390,000
Fourth	223,000	152,000 to 340,000
Fifth	178,000	132,000 to 315,000

The ratio of the pay of each executive to that of the chief executive officer is shown below.

	Pay as Percentage of Chief Executive's Compensation	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	66%	60% to 76%
Third highest	54	46 to 63
Fourth highest	46	39 to 57
Fifth highest	40	34 to 45

Chart 22: Compensation of the Chief Executive, by Company Sales

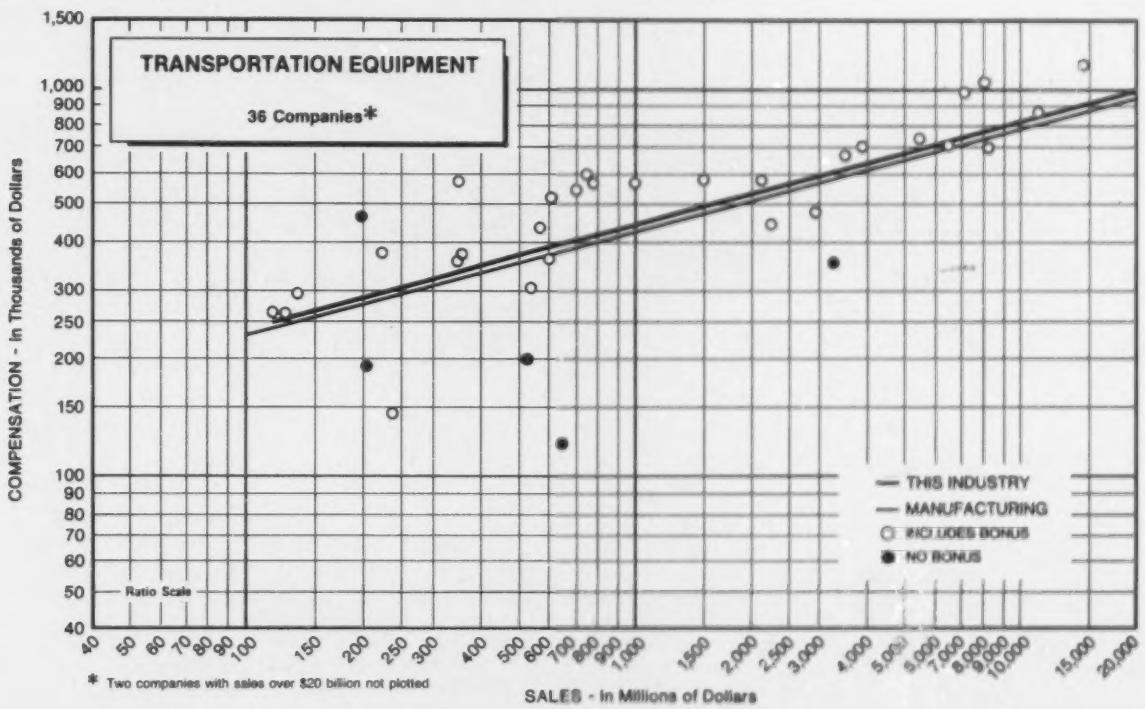
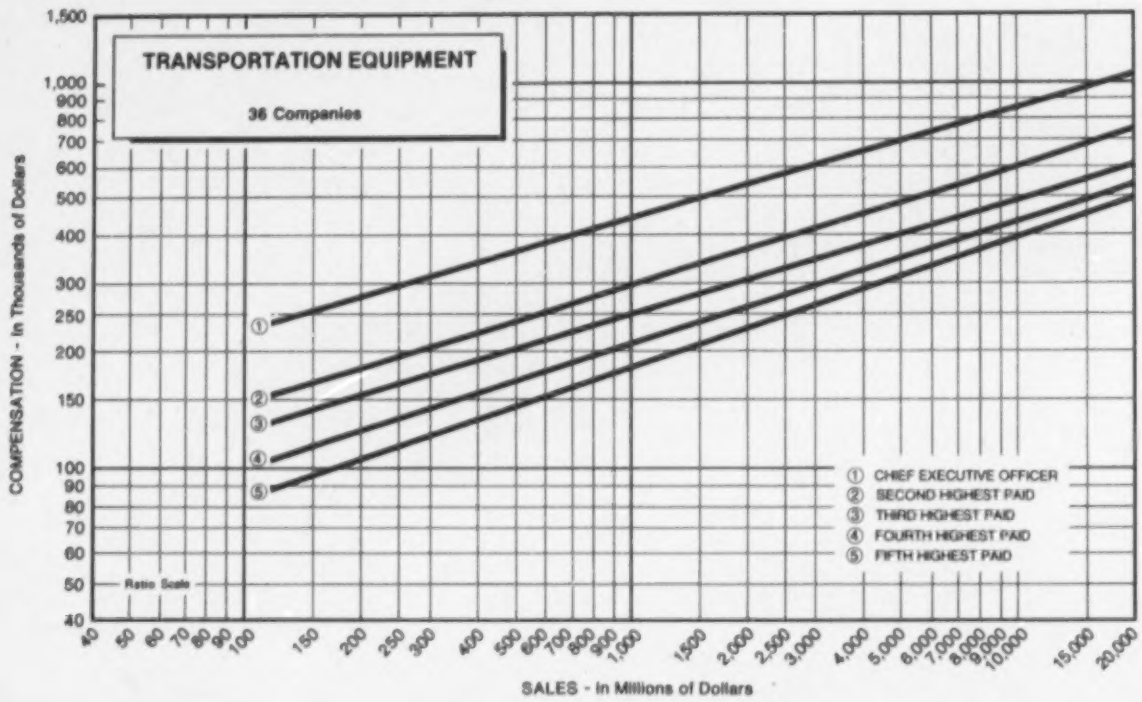


Chart 23: Compensation of the Five Highest Paid Executives, by Company Sales



As the lines on Chart 23 illustrate, the total compensation of each of the five groups of executives is related positively to company sales volume. The regression formula for each of these lines is shown below. Also shown is the "coefficient of determination" (r^2) which measures the percentage of the variation in compensation that is explained statistically by the variation in sales volume.

Compensation Rank	*Regression Formula*	r^2
Highest paid ..	log Y = 1.7941 + 0.2870 log X	64%
Second	log Y = 1.5807 + 0.3006 log X	74
Third	log Y = 1.5235 + 0.2907 log X	73
Fourth	log Y = 1.3735 + 0.3152 log X	77
Fifth	log Y = 1.2875 + 0.3232 log X	81

In each case, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.

Base salary of the top-paid executives also is related to sales volume. The regression equation for each of the five executives is shown below, along with the "coefficient of determination."

Compensation Rank	*Regression Formula*	r^2
Highest paid ...	log Y = 1.8885 + 0.2002 log X	58%
Second	log Y = 1.6098 + 0.2349 log X	72
Third	log Y = 1.5820 + 0.2151 log X	70
Fourth	log Y = 1.4411 + 0.2386 log X	77
Fifth	log Y = 1.3909 + 0.2383 log X	84

Again, Y is salary stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

Executive Incentive Plans

All of the 36 companies have an **annual executive bonus plan**; that is, a plan that pays a year-end bonus based on that year's performance. (For an analysis of 1983 bonus awards, see page 12.)

Thirty-four (94 percent) of these companies made a bonus award for 1983 performance; most (26) also paid a bonus for 1982.

Nine (25 percent) of the companies have an executive incentive plan that is based on long-term corporate performance goals, usually called **performance share or performance unit plans**. (For a description of payouts during 1983, see page 13.)

Eleven (31 percent) of the companies have a **restricted stock plan** under which grants of company stock are subject to forfeiture until earned out through continued employment. (For a description of the size of grants during 1983, see page 12.)

Thirty-four (94 percent) of the companies have a **stock option plan**. Twenty-six of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; three grant only ISO's, and five only nonqualified options. (For an analysis of the size of grants and value at exercise during 1983, see page 14.)

Stock-for-stock exercise (stock swaps) are provided for by 20 (69 percent) of the 29 companies that grant ISO's,

and by 18 (58 percent) of the 31 companies that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by 11 (38 percent) of the 29 companies that grant ISO's. SAR's are provided by 16 (52 percent) of the 31 companies that grant nonqualified options.

Chapter 4
Retail Trade

INFORMATION ABOUT THE 1983 compensation of their five highest paid executives was obtained from 73 retailers, 21 percent of approximately all retailers with sales of $50 million or more. These 73 retailers are classified below according to 1983 sales volume.

1983 Sales	*Retailers*	
	Number	*Percent*
$3 billion and over	17	23%
$1–2,999 billion	14	19
500–999 million	12	17
300–499 million	13	18
50–299 million	17	23
Total	73	100%

Median sales volume is $655 million, with the middle half of retailers ranging between $355 million and $2.6 billion.

Pay Trends

On the average, total compensation for 1983 (which includes bonus awards) was 11 percent greater than in 1982 for top executives in these retail firms. For example, in a sample of 49 chief executive officers for whom both 1982 and 1983 total compensation was available, the median increase was 11 percent, with the middle half ranging between 4 and 22 percent.

For ten percent of these chief executive officer positions, total compensation was lower than in 1982, and another 12 percent registered no gain. Among the 78 percent that show an increase, the median increase is 17 percent with the middle half ranging between 8 and 26 percent.

Some of the increase in total compensation is the result of increased bonus payments, although 88 percent of the retailers with a bonus plan paid a bonus for 1983 performance, and 90 percent did so for 1982 performance. Bonus payments, as a percentage of base salary, were somewhat higher. For example, the median bonus for chief executive officers represented 45 percent of salary for 1983, but 41 percent of salary for 1982 performance. In addition, among 29 companies that paid a bonus for both 1983 and 1982, the median dollar increase for chief executive officers was 8 percent, with the middle half ranging between no increase and a 16 percent increase.

Total compensation also increased because of increases in base salary. For example, among the 49 companies for which both 1983 and 1982 base salary were available, the median increase for the chief executive officer position was 8 percent, with the middle half ranging between no increase and 16 percent increase. For eight percent of these chief executive positions, salary was lower in 1983 than in 1982, and for 27 percent it was unchanged. Among the 65 percent that received an increase, the median is 14 percent with the middle half between 8 and 19 percent.

As illustrated below, the 8 percent increase for 1983 is in line with the drop in the *rate* of salary increases for the last few years.[1] Apparently this will continue, judging by the estimates obtained in May, 1984, of the average salary increase expected for the entire exempt population during 1984 and 1985.

Year	*Number of Companies*	*Percentage Increase in Salary*	
		Median	*Middle 50 Percent Range*
Total Exempt Employees			
1985 Estimate	47	6.5%	5.0% to 7.4%
1984 Estimate	65	6.8	5.0 to 7.5
Chief Executive Officers			
1983	49	8%	0% to 16%
1982	59	8	0 to 15
1979–1981	47	26	15 to 34
1977–1979	48	20	9 to 40
1975–1977	60	18	3 to 32
1973–1975	56	13	2 to 25

[1]The 1982 changes are from *Top Executive Compensation 1983 Edition*. The Conference Board, Report No. 840, 1983, p. 7. The 1979–1981 changes are from *Top Executive Compensation 1982 Edition*. The Conference Board, Report No. 827, 1982, p. 11. The 1977–1979 changes are from *Top Executive Compensation 1980 Edition*. The Conference Board, Report No. 793, 1980, p. 14. The 1975–1977 changes are from *Top Executive Compensation 1978 Edition*. The Conference Board, Report No. 753, 1978, p. 18. The 1973–1975 changes are from *Top Executive Compensation 1976 Edition*. The Conference Board, Report No. 706, 1976, p. 17.

1983 Total Compensation

For each retailer, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation paid to each of the chief executive officers in this particular sample of 73 retailers is shown in Chart 24. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

Compensation Rank	1983 Total Compensation	
	Median	Middle 50 Percent Range
Highest paid	$310,000	$200,000 to $540,000
Second	221,000	141,000 to 369,000
Third	163,000	112,000 to 286,000
Fourth	137,000	88,000 to 240,000
Fifth	115,000	78,000 to 196,000

As the lines in Chart 25 suggest, there is a positive relationship between the level of total compensation and sales volume for all five executives. The correlation coefficients for the five lines are, respectively: .73, .71, .73, .77, and .78.

The regression lines on the chart can be used to determine the average compensation of an executive at any level of sales, either by a direct reading from the chart or by using the regression formulas below. (In these formulas, Y is total compensation stated in *thousands* of dollars, and X is sales volume stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.6413 + 0.2984 log X	53%
Second	log Y = 1.5103 + 0.2884 log X	50
Third	log Y = 1.3801 + 0.2937 log X	53
Fourth	log Y = 1.2338 + 0.3183 log X	60
Fifth	log Y = 1.1382 + 0.3282 log X	62

Although total compensation and sales are highly related, company size is not the sole determinant of compensation level. As the "coefficients of determination" (r^2) above indicate, the variation in sales statistically explains 50 to 62 percent of the variation in total compensation of the five top-paid executives. (This coefficient is the square of the correlation coefficient.)

Chart 24: Compensation of the Chief Executive, by Company Sales

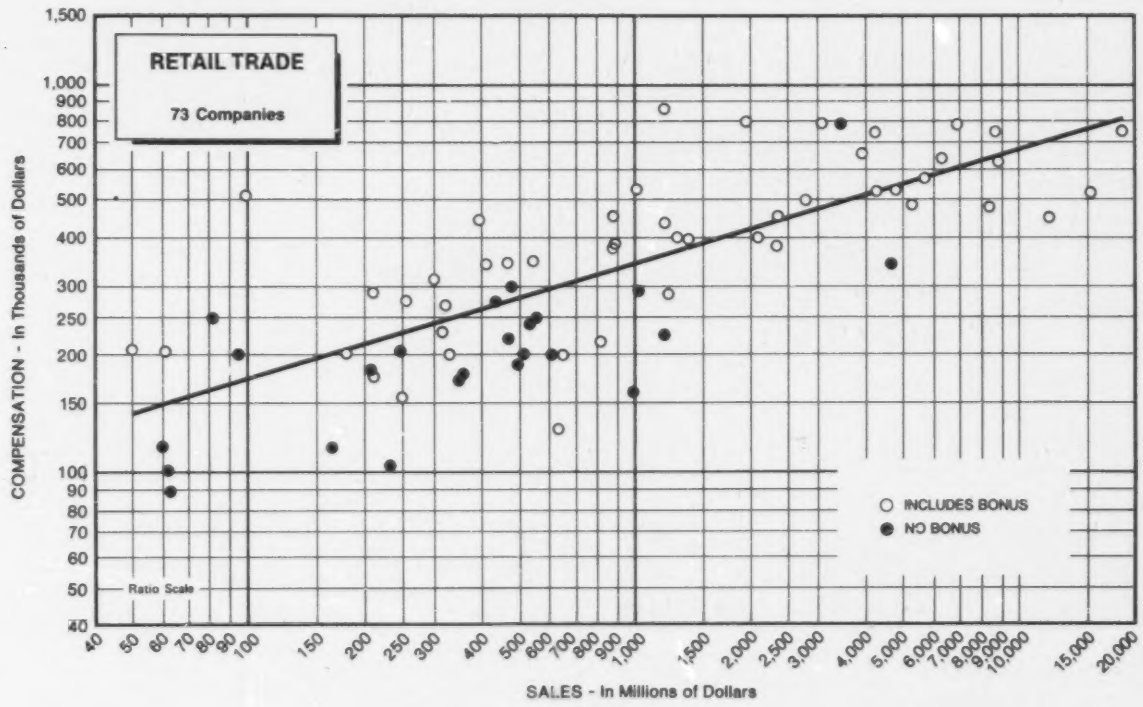
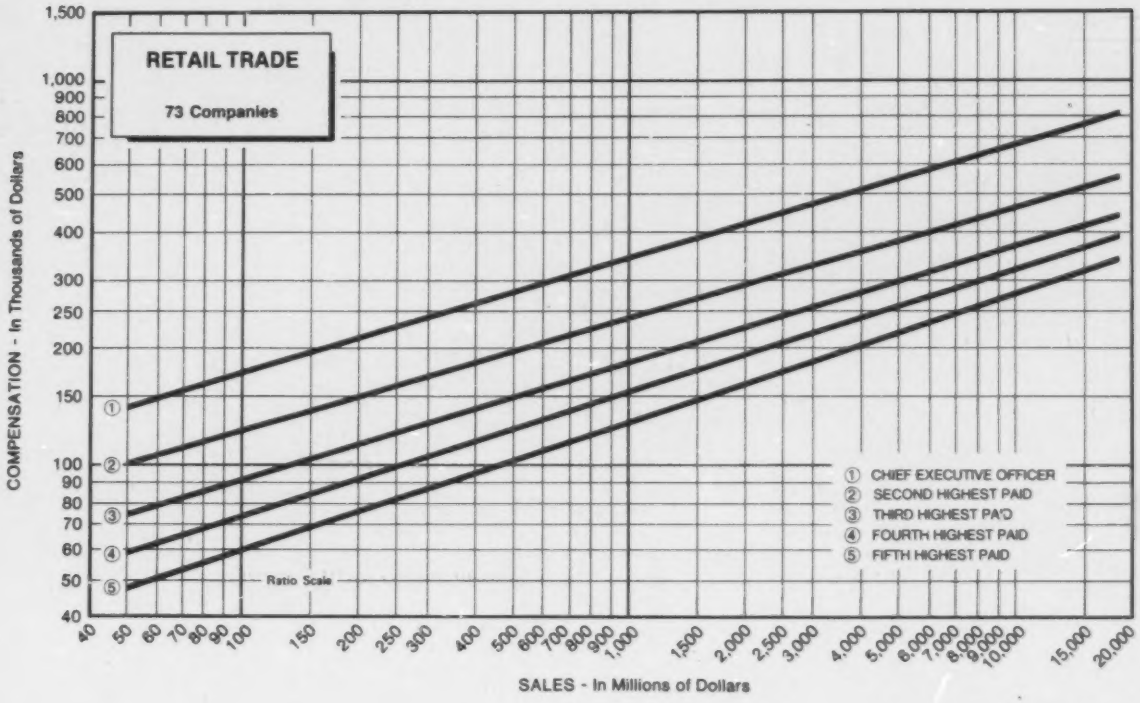


Chart 25: Compensation of the Five Highest Paid Executives, by Company Sales



The ratio of the total compensation of each executive to that of the chief executive officer is shown below.

Compensation Rank	Total Compensation as a Percentage of Chief Executive's Total Compensation	
	Median	Middle 50 Percent Range
Second highest	76%	61% to 84%
Third highest	56	43 to 67
Fourth highest	46	37 to 56
Fifth highest	40	31 to 48

1983 Salary

There is also a positive relationship between base salary and sales volume. The regression equations for the five top-paid executives are shown below. (Y is salary stated in *thousands* of dollars; X is sales volume stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.6163 + 0.2642 log X	60%
Second	log Y = 1.4848 + 0.2602 log X	49
Third	log Y = 1.3566 + 0.2686 log X	50
Fourth	log Y = 1.2106 + 0.2946 log X	60
Fifth	log Y = 1.1198 + 0.3084 log X	60

As the coefficients of determination (r^2) above indicate, the variation in sales statistically explains 49 to 60 percent of the variation in base salary.

The ratio of the salary of each executive to the salary of the chief executive officer is shown below:

Compensation Rank	Salary as a Percentage of Chief Executive's Salary	
	Median	Middle 50 Percent Range
Second highest	75%	61% to 87%
Third highest	60	46 to 67
Fourth highest	50	40 to 56
Fifth highest	43	35 to 52

These ratios are practically the same as the total compensation ratios.

1983 Bonus Awards

Fifty-seven (78 percent) of the 73 retailers have an "annual" executive bonus plan; that is, a plan that pays a year-end bonus based on that year's corporate performance. These plans have become more common among retailers over the past decade; in 1974 half of a comparable group of retailers had an annual incentive plan.[2] There is no

[2] *Top Executive Compensation 1974 Edition*, (out of print). The Conference Board, Report No. 640, 1974, p. 50.

particular relationship between the prevalence of these plans and the size of the company.

Eighty-eight percent (50) of the 57 retailers with a bonus plan made an award for 1983 performance; 90 percent also paid a bonus for 1982. Among the 50 companies that paid a 1983 bonus, most (43) also paid an award for 1982. Among the seven companies that paid no bonus for 1983, two paid a 1982 bonus and five paid no bonus in either year.

As Table 6 indicates, the median award for chief executive officers (45 percent of salary) is higher than that of the other four executives (27 to 39 percent of salary). Compared with bonus awards for 1982, the 1983 medians are 4 to 7 percentage points lower, except for the fifth executive.[3]

For each of the five executives the bonus award as a percentage of salary tends to decrease with company size (Table 7).[4] Again, the 1983 medians at each size level are higher than in 1982.[5]

Long-term Incentive Plans

Fifteen (21 percent) of the 73 retailers have a **restricted stock plan** under which contingent grants of company stock are made, subject to restrictions and forfeitures, until earned out by continued employment over a specified period of time. This is about the same proportion of retailers that had a plan three years ago; 19 percent (17) of 90 retailers reported a plan in 1980.[6]

Restricted stock plans are more common as company size increases. For example, 26 percent of the 43 retailers with sales of $500 million or more have a plan compared with 13 percent of the 30 companies with sales under $500 million.

[1] *Top Executive Compensation 1983 Edition*, p. 45.

[2] Data are derived from regression equations based on the pay of executives in 44 companies with a bonus plan that paid a bonus. The equations are shown below; the coefficient of determination is shown in parentheses.

Total Compensation

Highest paid	$\log Y = 1.8920 + 0.2340 \log X$	(44%)
Second	$\log Y = 1.6528 + 0.2559 \log X$	(44%)
Third	$\log Y = 1.4841 + 0.2698 \log X$	(48%)
Fourth	$\log Y = 1.3462 + 0.2920 \log X$	(56%)
Fifth	$\log Y = 1.2852 + 0.2919 \log X$	(60%)

Base Salary

Highest paid	$\log Y = 1.6339 + 0.2579 \log X$	(60%)
Second	$\log Y = 1.4395 + 0.2722 \log X$	(52%)
Third	$\log Y = 1.3050 + 0.2813 \log X$	(53%)
Fourth	$\log Y = 1.1616 + 0.3065 \log X$	(64%)
Fifth	$\log Y = 1.1473 + 0.2998 \log X$	(61%)

[3] *Top Executive Compensation 1983 Edition*, p. 45.

[4] *Top Executive Compensation 1980 Edition*, p. 45. For an analysis of 91 plans, see Harland Fox, *Restricted Stock for Executives*. The Conference Board, Research Bulletin No. 159, 1984.

Eight retailers made a grant of restricted stock during 1983 to one or more of their five top-paid executives. The median grant to 33 executives, as a percentage of base salary, was 26 percent with the middle half ranging between 15 and 63 percent of 1983 salary.

Thirteen (18 percent) of the 73 retailers have an executive incentive plan based on the achievement of long-term corporate financial goals, usually called a **performance share or unit plan**.[7] All but two are in companies with $500 million or more in sales. In 1980 only 11 percent of 90 retailers reported a plan.[8]

Four retailers made a payment during 1983 under these plans to at least one of the five top-paid executives. Payments to each of these 32 executives, converted to a percentage of 1983 salary, ranged from three to 99 percent, with the median payment representing 24 percent of base salary.

Seventy-seven percent (56) of the 73 retailers have a **stock option plan**.[9] These plans are more common among the largest retailers; for example, 91 percent of the companies with sales over $500 million have a plan compared with 76 percent of the companies with sales of $300 million to $500 million, and 41 percent of the retailers with sales in the $50 million to $300 million range.

Among the 56 companies with a stock option plan, 46 percent (26) provide for grants of *both* incentive stock options (ISO's) and nonqualified options; 21 plans grant only ISO's, and nine only nonqualified options.

Forty-one of the 56 retailers with a plan made a regular grant of stock options during 1983. Fifteen of the companies granted *only* ISO's, eight *only* nonqualified options, and 18 granted *both* ISO's and nonqualified options. Among the 18 plans that granted both ISO's and nonqualified options, ten limited nonqualified options to those executives who hit the $100,000 limit on ISO grants.

Twenty-four of the 56 retailers that granted options in 1983 provided information about the value of the option for one or more of their five top-paid executives. (The value of an option is the number of shares multiplied by the market price at the time of grant.) The median value of options for 108 executives is the equivalent of 72 percent of base salary, with the middle half ranging between 33 and 125 percent of 1983 base salary.

One or more of the five top-paid executives in 31 retailers exercised a stock option (or SAR) during 1983. The net gain realized in cash or stock (market value less option price) for 83 executives is shown below, converted to a percentage of 1983 base salary.

[7] For an analysis of 89 plans, see Harland Fox, *Executive Incentives: Long-term Performance Share/Unit Plans*. The Conference Board, Research Bulletin No. 132, 1983.

[8] *Top Executive Compensation 1980 Edition*, p. 45.

[9] For an analysis of 189 ISO plans, see Harland Fox, *Incentive Stock Option Plans*. The Conference Board, Research Bulletin No. 148, 1983.

Table 6: 1983 Bonus Awards and 1982 Median Bonus

1983 Bonus Award (Percent of Salary)	Chief Executives		Second Highest Paid		Third Highest Paid		Fourth Highest Paid		Fifth Highest Paid	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
100% or more	5	11%	3	6%	4	8%	3	6%	1	2%
75–99	5	11	4	8	1	2	1	2	3	7
60–74	6	13	3	6	2	4	3	6	3	7
50–59	5	11	3	6	5	10	4	8	2	4
40–49	10	20	10	21	10	21	8	17	6	13
30–39	3	6	9	18	7	15	10	21	6	13
20–29	6	13	7	14	9	19	8	17	7	15
Less than 20%	7	15	10	21	10	21	11	23	18	39
Total	47	100%	49	100%	48	100%	48	100%	46	100%
Median Bonus	45%		39%		37%		35%		27%	
Middle 50% Range	25–70%		23–52%		20–49%		22–49%		12–46%	
1982 Median Bonus	**41%**		**32%**		**31%**		**31%**		**30%**	

Gain at Exercise (Percent of Salary)	Executive	
	Number	Percent
200–621%	8	10%
100–199	12	14
50–99	9	11
25–49	25	30
15–24	16	19
Less than 15%	13	16
Total	83	100%

The median gain is the equivalent of 35 percent of 1983 salary, with the middle half ranging from 17 and 99 percent of salary. The median for chief executive officers is 44 percent of salary; for the second highest paid, 39 percent; and for the other three executives, 28 percent of base salary.

The actual dollar gain is shown below:

Dollar Gain at Exercise	Executives	
	Number	Percent
$1 million and over	6	7%
300,000–999,000	11	13%
200,000–299,000	9	11
100,000–199,000	13	16
50,000–99,000	14	17
25,000–49,000	13	16
Less than $25,000	17	20
Total	83	100%

The median gain is $74,000, with the middle half ranging between $21,000 and $249,000. The median gain for 15 chief executive officers is $223,000; for 16 second highest paid, $126,000; for 20 third highest paid, $270,000; and for 16 third and fourth highest paid, $56,000, respectively.

Stock-for-stock exercise (stock swaps) are provided for by 21 (45 percent) of the 47 plans that grant ISO's, and by 49 percent of the 35 plans that grant nonqualified options.

Table 7: 1983 and 1982 Bonus Awards (as Percent of Salary), by Company Size

Executive	Sales Volume		
	$355 Million	$655 Million	$2.6 Billion
Chief Executive			
1983 Bonus (%)	58%	55%	50%
Salary	$194,000	$227,000	$324,000
1982 Bonus (%)	42%	44%	43%
Second Highest Paid			
1983 Bonus (%)	48%	46%	43%
Salary	$136,000	$160,000	$233,000
1982 Bonus (%)	38%	40%	40%
Third Highest Paid			
1983 Bonus (%)	41%	39%	38%
Salary	$105,000	$125,000	$184,000
1982 Bonus (%)	36%	39%	42%
Fourth Highest Paid			
1983 Bonus (%)	40%	39%	36%
Salary	$87,000	$105,000	$161,000
1982 Bonus (%)	35%	38%	39%
Fifth Highest Paid			
1983 Bonus (%)	31%	30%	29%
Salary	$81,000	$98,000	$147,000
1982 Bonus (%)	29%	32%	39%

Stock appreciation rights (SAR's) are provided by 17 (36 percent) of the 47 plans that grant ISO's. Most (10) limit SAR's to a small group of top management (essentially "insiders"); the other seven plans grant SAR's to all ISO recipients. SAR's are provided by 16 (46 percent) of the 35 plans that grant nonqualified options. Most (10) limit SAR's to a small group of top management; the other seven plans grant SAR's to all nonqualified option recipients.

Chapter 5
Gas and Electric Utilities

INFORMATION ABOUT THE 1983 compensation of their five highest paid executives was obtained from 94 gas and electric utilities, 70 percent of the gas and electric utilities with securities listed on the New York or American Stock Exchange. The 94 utilities are classified below according to 1983 operating revenue.

1983 Operating Revenue	*Utilities*	
	Number	*Percent*
$3 billion and over	14	15%
$2–2,999 billion	9	10
$1–1,999 billion	25	26
500–999 million	24	26
100–499 million	22	23
Total	94	100%

Median operating revenue was $1 billion, with the middle half of the utilities ranging between $510 million and $2.1 billion.

Pay Trends

On the average, total compensation for 1983 (which includes bonus awards) was 9 percent greater than in 1982 for top executives in these gas and electric utilities. For example, in a sample of 77 chief executive officers for whom both 1982 and 1983 total compensation was available, the median increase was 9 percent, with the middle half ranging from no change to a 16 percent increase.

For 18 percent of these chief executive officer positions, total compensation for 1983 was lower than 1982, and another 10 percent registered no gain. Among the 72 percent that show an increase, the median increase was 12 percent with the middle half ranging between 7 and 22 percent.

Some of the increase in total compensation is the result of increased bonus payments. For example, 72 percent of the utilities with a bonus plan paid a bonus for 1983 performance, but only 56 percent did so for 1982 performance. In addition, bonus payments, as a percentage of base salary, were somewhat higher. For example, the median bonus for the five top-paid executives represented 22 percent of salary for 1983 and 20 percent of salary for 1982 performance. Finally, among 11 companies that paid a bonus for both 1983 and 1982, the median dollar increase for the five top-paid executives was 12 percent, with the middle half ranging between a decrease of 5 percent and a 44 percent increase. Among the 61 percent that got a larger bonus, the median increase was 25 percent, with the middle half ranging between 19 and 82 percent.

Total compensation also increased because of increases in base salary. For example, among the 77 companies for which both 1983 and 1982 base salary were available, the median increase for the chief executive officer position was 7 percent, with the middle half ranging between a 1 and 15 percent increase. For 10 percent of these chief executive positions, salary was lower in 1983 than in 1982, and for 10 percent it was unchanged. Among the 74 percent that received an increase, the median is 11 percent, with the middle half between 7 and 17 percent.

As illustrated below, the 7 percent increase for 1983 continues the drop in the *rate* of salary increases for top executives during the last few years.[1] Apparently this will continue, judging by the estimates obtained in May, 1984, of the average salary increase expected for the entire exempt population during 1984 and 1985.

Year	*Number of Companies*	*Percentage Increase in Salary*	
		Median	*Middle 50 Percent Range*
Total Exempt Employees			
1985 Estimate	44	5.5%	5.0% to 6.0%
1984 Estimate	73	6.0	5.0 to 7.0
Chief Executive Officers			
1983	77	7%	1% to 15%
1982	75	10	7 to 16
1979–1981	78	24	18 to 33
1977–1979	99	17	8 to 25
1975–1977	103	18	9 to 25
1973–1975	93	11	1 to 18

[1]The 1982 changes are from *Top Executive Compensation 1983 Edition*. The Conference Board, Report No. 840, 1983, p. 7. The 1979–1981 changes are from *Top Executive Compensation 1982 Edition*. The Conference Board, Report No. 827, 1982, p. 11. The 1977–1979 changes are from *Top Executive Compensation 1980 Edition*. The Conference Board, Report No. 793, 1980, p. 14. The 1975–1977 changes are from *Top Executive Compensation 1978 Edition*. The Conference Board, Report No. 753, 1978, p. 18. The 1973–1975 changes are from *Top Executive Compensation 1976 Edition*. The Conference Board, Report No. 706, 1976, p. 17.

1983 Total Compensation

For each gas and electric utility, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation paid to each of the chief executive officers in this particular sample of 94 utilities is shown in Chart 26. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

	1983 Total Compensation	
Compensation Rank	Median	Middle 50 Percent Range
Highest paid	$228,000	$175,000 to $300,000
Second	151,000	105,000 to 215,000
Third	128,000	93,000 to 167,000
Fourth	112,000	85,000 to 150,000
Fifth	99,000	80,000 to 129,000

As the lines in Chart 27 suggest, there is a positive relationship between the level of total compensation and operating revenue for all five executives. The correlation coefficients for the five lines are, respectively: .82, .80, .82, .83, and .83.

The regression lines on the chart can be used to determine the average compensation of an executive at any level of operating revenue, either by a direct reading from the chart or by using the regression formulas below. (In these formulas, Y is total compensation stated in *thousands* of dollars, and X is operating revenue stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.3108 + 0.3507 log X	67%
Second	log Y = 1.1111 + 0.3553 log X	64
Third	log Y = 1.1242 + 0.3269 log X	67
Fourth	log Y = 1.1199 + 0.3127 log X	70
Fifth	log Y = 1.1248 + 0.2955 log X	69

Although total compensation and operating revenue are highly related, company size is not the sole determinant of compensation level. As the "coefficients of determination" (r^2) above indicate, the variation in operating revenue statistically explains 64 to 70 percent of the variation in total compensation of the five top-paid executives. (This coefficient is the square of the correlation coefficient.)

Chart 26: Compensation of the Chief Executive, by Company Operating Revenue

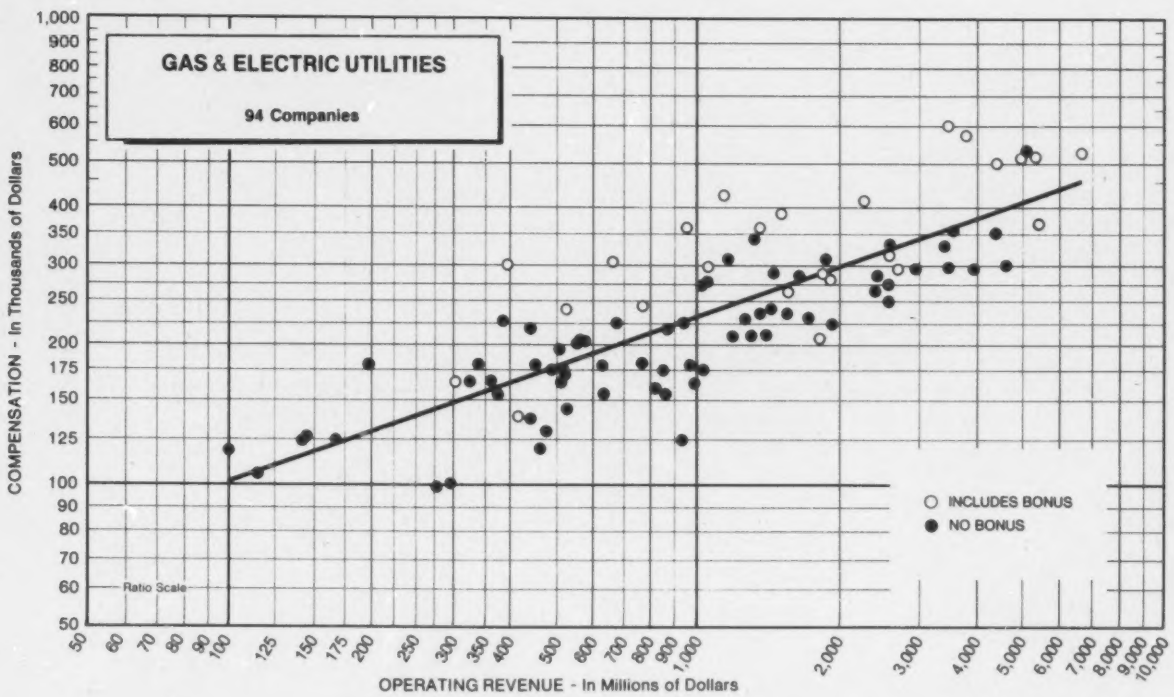
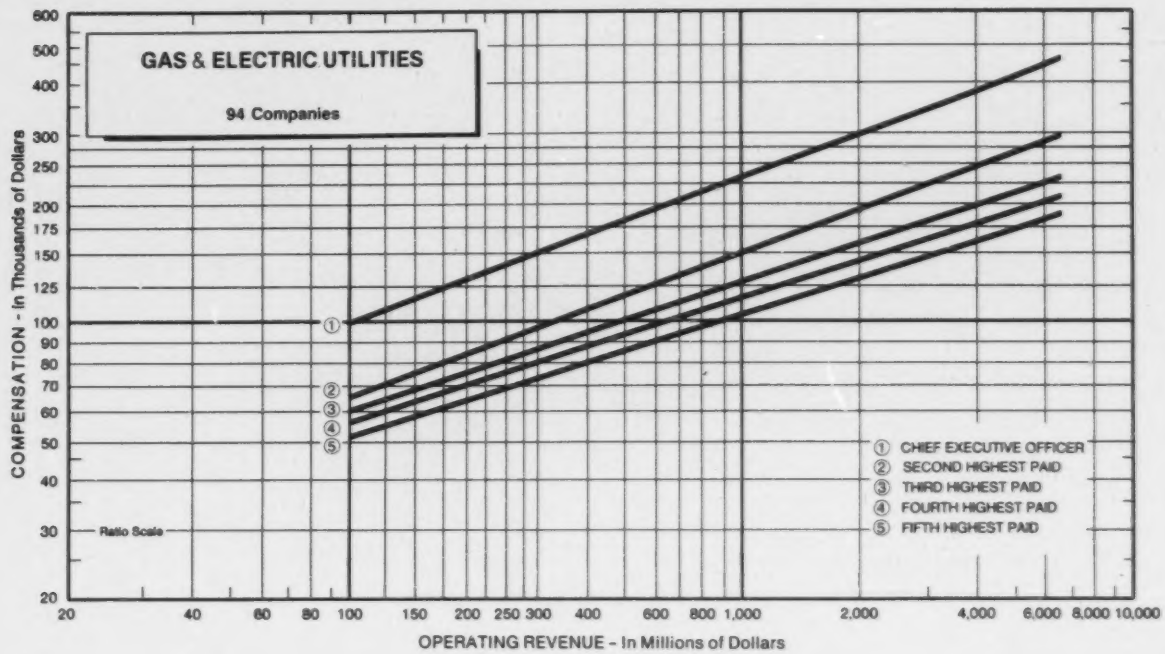


Chart 27: Compensation of the Five Highest Paid Executives, by Company Operating Revenue


GAS & ELECTRIC UTILITIES
94 Companies
COMPENSATION - In Thousands of Dollars
OPERATING REVENUE - In Millions of Dollars
Ratio Scale
① CHIEF EXECUTIVE OFFICER
② SECOND HIGHEST PAID
③ THIRD HIGHEST PAID
④ FOURTH HIGHEST PAID
⑤ FIFTH HIGHEST PAID

The ratio of the total compensation of each executive to that of the chief executive officer is shown below.

Compensation Rank	Total Compensation as a Percentage of Chief Executive's Total Compensation	
	Median	Middle 50 Percent Range
Second highest	67%	57% to 73%
Third highest	55	49 to 62
Fourth highest	50	45 to 55
Fifth highest	45	40 to 51

1983 Salary

There is also a positive relationship between base salary and operating revenue. The regression equations for the five top-paid executives are shown below. (Y is salary stated in *thousands* of dollars; X is operating revenue stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.3957 + 0.3137 log X	71%
Second	log Y = 1.2177 + 0.3119 log X	66
Third	log Y = 1.2032 + 0.2938 log X	70
Fourth	log Y = 1.2056 + 0.2774 log X	72
Fifth	log Y = 1.2033 + 0.2630 log X	73

As the coefficients of determination (r^2) above indicate, the variation in operating revenue statistically explains 66 to 73 percent of the variation in base salary.

The ratio of the salary of each executive to the salary of the chief executive officer is shown below:

Compensation Rank	Salary as a Percentage of Chief Executive's Salary	
	Median	Middle 50 Percent Range
Second highest	67%	58% to 73%
Third highest	56	50 to 62
Fourth highest	51	46 to 55
Fifth highest	45	41 to 51

These ratios are practically the same as the total compensation ratios.

1983 Bonus Awards

Thirty-four (37 percent) of the 94 gas and electric utilities have an "annual" executive bonus plan; that is, a plan that pays a year-end bonus based on that year's corporate performance. Only 22 percent (10) of the 46 companies with revenue under $1 billion have a plan compared with 48 percent (23) of the 48 utilities with operating revenue of $1 billion or more.

These plans have become much more common among gas and electric utilities over the past decade; in 1974 only

8 percent of a comparable group of 111 utilities had an annual incentive plan, and, in 1980, only 13 percent.[2]

Twenty-six (76 percent) of the 34 utilities with a bonus plan made an award for 1983 performance; 19 paid a bonus for 1982.

Among the 26 companies that paid a 1983 bonus, 17 also paid an award for 1982, but nine did not. Among the eight that paid no bonus for 1983, two paid a 1982 bonus and six paid no bonus in either year.

The 1983 bonus award was reported for 110 of the five top-paid executives in 23 companies that paid a bonus. The median bonus is 22 percent of salary with the middle half ranging between 14 and 35 percent of base pay. (In 1982, the median bonus was 20 percent of salary for the five top-paid combined.).[3]

Long-term Incentive Plans

Six (6 percent) of the 94 utilities have a **restricted stock plan** under which contingent grants of company stock are made, subject to restrictions and forfeitures, until earned out by continued employment over a specified period of time. This is about the same proportion of utilities that had a plan four years ago; four (4 percent) of 106 companies reported a plan in 1980.[4]

The six plans are in the 71 companies with operating revenue of $500 million or more. Three companies made a grant during 1983. The awards for ten executives were the equivalent of 30 to 200 percent of 1983 salary; the median award was 79 percent of salary.

Eleven (12 percent) of the gas and electric utilities have an executive incentive plan based on the achievement of long-term corporate financial goals, usually called a **performance share or unit plan**.[5] All plans are in companies with $500 million or more in operating revenue. In 1980, only three of 106 comparable utilities had a plan.[6]

Six companies made a payment during 1983 to one or more of their five top-paid executives. The payments to 26 executives, converted to a percentage of salary, ranged from 3 to 38 percent; the median payment represented 17 percent of 1983 salary.

Nineteen (20 percent) of the companies have a **stock option plan**.[7] Thirteen of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; four grant only ISO's, and two have only nonqualified options.

Fifteen of the nineteen gas and electric utilities with a plan made a regular grant of stock options during 1983. Five of the plans granted *only* ISO's; three *only* nonqualified options; and seven granted *both* ISO's and nonqualified options. Among the seven plans that granted both ISO's and nonqualified options, three limited nonqualified options to those executives who hit the $100,000 limit on ISO grants.

Ten utilities that granted options in 1983 provided information about the value of the option for one or more of their five top-paid executives. (The value of an option is the number of shares multiplied by the market price at the time of grant.) The median value of options for 46 executives is the equivalent of 73 percent of base salary, with the middle half ranging between 48 and 102 percent of 1983 salary.

Stock-for-stock exercise (stock swaps) are provided for by eight (47 percent) of the 17 plans that grant ISO's, and by six (40 percent) of the 15 plans that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by four of the 17 plans that grant ISO's. One of these limits SAR's to a small group of top management (essentially "insiders"); the other three grant SAR's to all option recipients. SAR's are provided by six of the 15 plans that grant nonqualified options; one limits SAR's to a limited group of top executives; the other five grant SAR's to all nonqualified option recipients.

[2] *Top Executive Compensation 1974 Edition* (out of print). The Conference Board, Report No. 640, 1974, p. 53; and *Top Executive Compensation 1980 Edition*, p. 49.

[3] For an analysis of 91 plans, see Harland Fox, *Restricted Stock for Executives*. The Conference Board, Research Bulletin No. 159, 1984.

[4] *Top Executive Compensation 1980 Edition*, p. 40.

[5] For an analysis of 89 plans, see Harland Fox, *Executive Incentives: Long-term Performance Share/Unit Plans*. The Conference Board, Research Bulletin No. 132, 1983.

[6] *Top Executive Compensation 1980 Edition*, p. 50.

[7] For an analysis of 189 ISO plans, see Harland Fox, *Incentive Stock Option Plans*. The Conference Board, Research Bulletin No. 148, 1983.

Chapter 6
Commercial Banking

INFORMATION ABOUT THE 1983 compensation of their five highest paid executives was obtained from 203 commercial banks, 45 percent of approximately all commercial banks with total deposits of $300 million or more. These 203 banks are classified below according to total deposits at the end of 1983.

1983 Total Deposits	*Banks*	
	Number	*Percent*
$5 billion and over	25	12%
$2–4,999 billion	46	23
$1–1,999 billion	35	17
600–999 million	42	21
500–599 million	23	11
300–499 million	32	16
Total	203	100%

Median total deposits are $1.1 billion, with deposits of the middle half of the banks ranging between $583 million and $2.8 billion.

Pay Trends

On the average, total compensation for top executives in these banks for 1983 (which includes bonus awards) was 9 percent greater than in 1982. For example, in a sample of 149 chief executive officers for whom both 1982 and 1983 total compensation was available, the median increase was 9 percent with the middle half ranging from no change to a 21 percent increase.

For 20 percent of these chief executive officer positions, total compensation for 1983 was lower than in 1982 and another 9 percent registered no gain. Among the 71 percent that show an increase, the median is 16 percent with the middle half ranging between 8 and 30 percent.

Some of the increase in total compensation is the result of increased bonus payments. For example, 83 percent of the banks with a bonus plan paid a bonus for 1983 performance; 76 percent did so for 1982 performance. Bonus payments, as a percentage of base salary, were about the same, however. For example, the median bonus for chief executive officers represented 26 percent of salary for 1983, and 28 percent of salary for 1982 performance. Finally, among 75 banks that paid a bonus for both 1983 and 1982, the median dollar increase for chief executive officers was 17 percent, with the middle half ranging between a drop of 18 percent to a 57 percent increase.

Total compensation also increased because of increases in base salary. For example, among the 149 banks for which both 1983 and 1982 base salary was available, the median increase for the chief executive officer position was 9 percent, with the middle half ranging between no increase and a 15 percent increase. For 13 percent of these chief executive positions, salary was lower in 1983 than in 1982, and for 16 percent, it was unchanged. Among the 71 percent that received an increase, the median is 11 percent, with the middle half between 8 and 17 percent.

As illustrated below, the 9 percent increase for 1983 continues the drop in the *rate* of salary increase for top executives during the last few years.[1] Apparently this will continue, judging by the estimates obtained in May, 1984, of the average salary increase expected for the entire exempt population during 1984 and 1985.

Year	*Number of Banks*	*Percentage Increase in Salary*	
		Median	*Middle 50 Percent Range*
Total Exempt Employees			
1985 Estimate	134	7.0%	6.0% to 8.0%
1984 Estimate	190	7.0	6.0 to 8.0
Chief Executive Officers			
1983	149	9%	0% to 15%
1982	180	10	7 to 19
1979–1981	140	27	15 to 40
1977–1979	199	22	15 to 31
1975–1977	213	17	7 to 26
1973–1975	159	17	6 to 25

[1]The 1982 changes are from *Top Executive Compensation 1983 Edition*. The Conference Board, Report No. 840, 1983, p. 7. The 1979–1981 changes are from *Top Executive Compensation 1982 Edition*. The Conference Board, Report No. 827, 1982, p. 11. The 1977–1979 changes are from *Top Executive Compensation 1980 Edition*. The Conference Board, Report No. 793, 1980, p. 14. The 1975–1977 changes are from *Top Executive Compensation 1978 Edition*. The Conference Board, Report No. 753, 1978, p. 18. The 1973–1975 changes are from *Top Executive Compensation 1976 Edition*. The Conference Board, Report No. 706, 1976, p. 17.

1983 Total Compensation

For each commercial bank, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation paid to each of the chief executive officers in this particular sample of 203 banks is shown in Chart 28. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

Compensation Rank	1983 Total Compensation	
	Median	Middle 50 Percent Range
Highest paid	$220,000	$149,000 to $308,000
Second	150,000	97,000 to 217,000
Third	111,000	82,000 to 165,000
Fourth	96,000	72,000 to 142,000
Fifth	87,000	66,000 to 125,000

As the lines in Chart 29 suggest, there is a positive relationship between the level of total compensation and total deposits for all five executives. The correlation coefficients for the five lines are, respectively: .85, .84, .87, .84, and .88.

The regression lines on the chart can be used to determine the average compensation of an executive at any level of deposits, either by a direct reading from the chart or by using the regression formulas below. (In these formulas, Y is total compensation stated in *thousands* of dollars, and X is deposits stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.0658 + 0.4041 log X	72%
Second	log Y = 0.8903 + 0.4069 log X	71
Third	log Y = 0.8215 + 0.3963 log X	75
Fourth	log Y = 0.7813 + 0.3884 log X	70
Fifth	log Y = 1.7419 + 0.3875 log X	77

Although total compensation and total deposits are highly related, company size is not the sole determinant of compensation level. As the "coefficients of determination" (r^2) above indicate, the variation in deposits statistically explains 70 to 77 percent of the variation in total compensation of the five top-paid executives. (This coefficient is the square of the correlation coefficient.)

The ratio of the total compensation of each executive to that of the chief executive officer is shown below.

Chart 28: Compensation of the Chief Executive, by Total Deposits

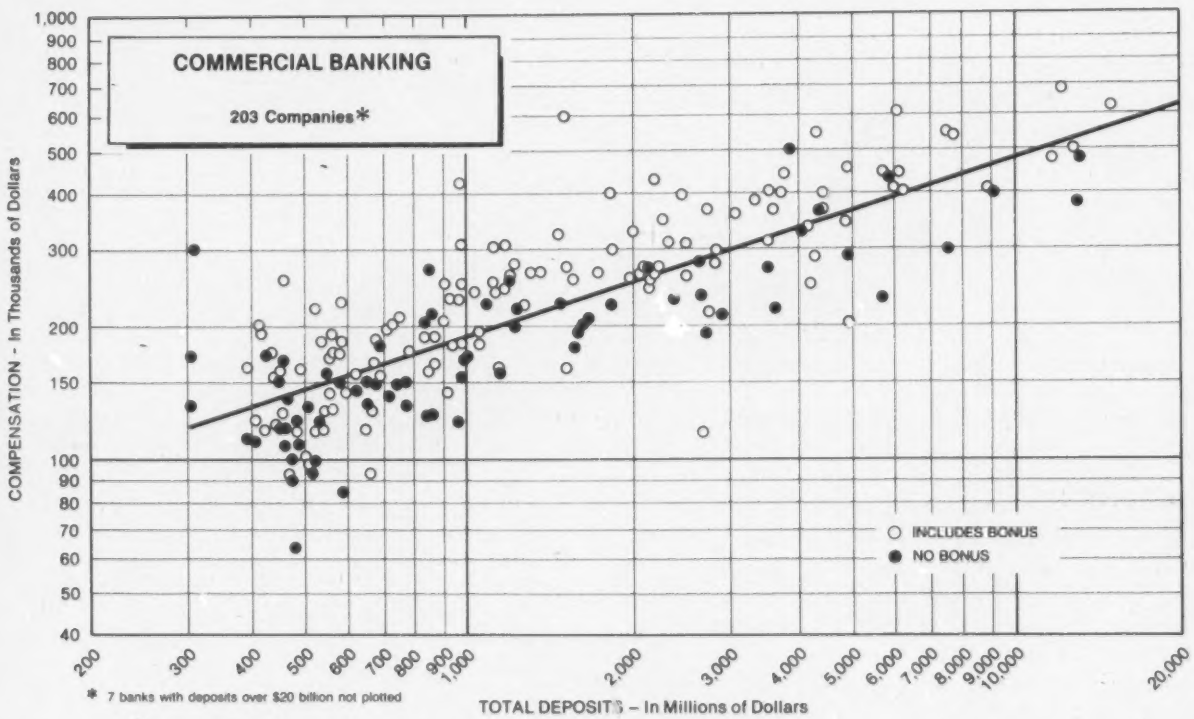
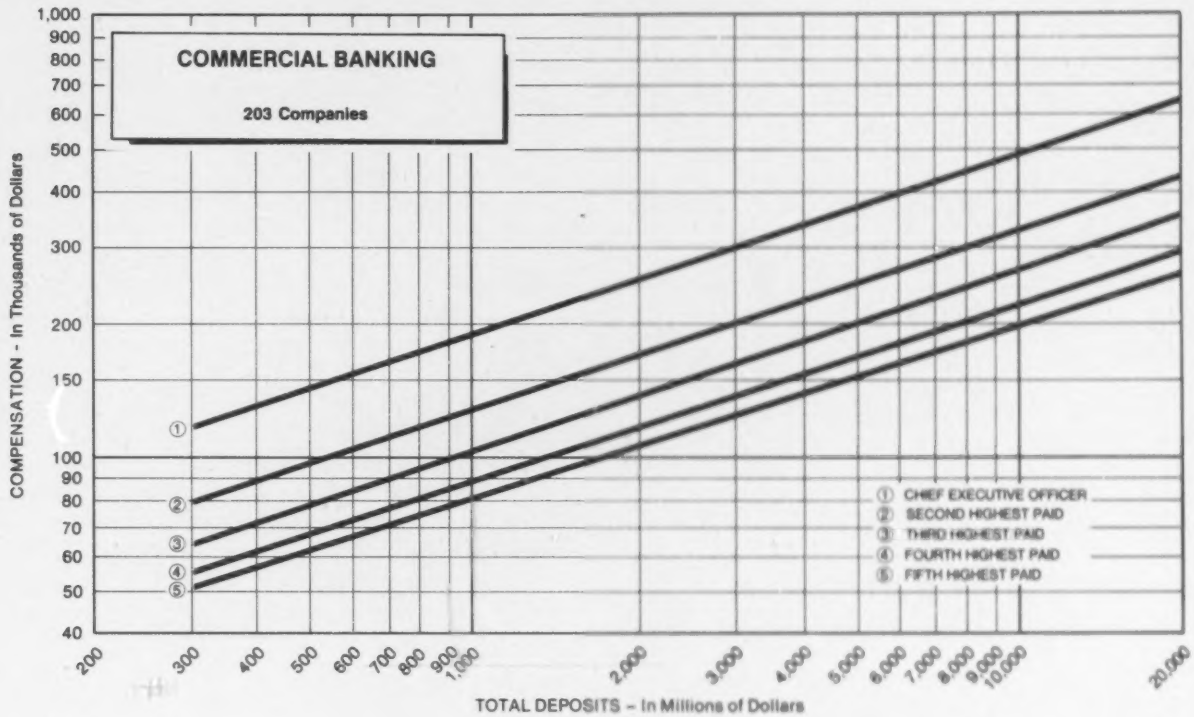


Chart 29: Compensation of the Five Highest Paid Executives, by Total Deposits



Compensation Rank	Total Compensation as a Percentage of Chief Executive's Total Compensation	
	Median	Middle 50 Percent Range
Second highest	68%	60% to 81%
Third highest	54	46 to 63
Fourth highest	46	41 to 56
Fifth highest	42	36 to 48

1983 Salary

There is also a positive relationship between base salary and total deposits. The regression equations for the five top-paid executives are shown below. (Y is salary stated in *thousands* of dollars; X is total deposits stated in *millions* of dollars.)

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.1872 + 0.3427 log X	68%
Second	log Y = 1.0118 + 0.3481 log X	68
Third	log Y = 0.9525 + 0.3356 log X	71
Fourth	log Y = 0.8983 + 0.3338 log X	66
Fifth	log Y = 0.8889 + 0.3236 log X	74

As the coefficients of determination (r^2) above indicate, the variation in total deposits statistically explains 66 to 74 percent of the variation in base salary.

The ratio of the salary of each executive to the salary of the chief executive officer is shown below:

Compensation Rank	Salary as a Percentage of Chief Executive's Salary	
	Median	Middle 50 Percent Range
Second highest	69%	60% to 81%
Third highest	55	48 to 64
Fourth highest	48	42 to 56
Fifth highest	43	38 to 49

These ratios are practically the same as the total compensation ratios.

1983 Bonus Awards

Almost 73 percent (148) of the 203 banks have an "annual" executive bonus plan; that is, a plan that pays a year-end bonus based on that year's corporate performance. These plans become more common as the size of the bank increases. Only 44 percent of the banks with total deposits under $500 million have a plan, compared with 66 percent

of the banks with deposits in the $500 million to $1 billion range and 87 percent of the banks with deposits of $1 billion or more (including all but two of the twenty-three banks with deposits of $5 billion or more).

These plans have become much more common among banks over the past decade; in 1974 only 2½ percent of a comparable group of banks had an annual incentive plan.[2] In 1980, 55 percent had a plan.[3]

Eighty percent (119) of the 148 banks with a bonus plan made an award for 1983 performance; 76 percent paid a bonus for 1982. Among the 119 plans that paid a 1983 bonus, most (100) also paid a bonus for 1982, but 19 did not. Among the 29 banks that paid no bonus for 1983, thirteen paid a 1982 bonus; 16 paid no bonus in either year.

As Table 8 indicates, the median 1983 award for chief executive officers (26 percent of salary), is somewhat higher than that of the other four executives (19 to 24 percent of salary). Compared with bonus awards for 1982, the 1983 medians are essentially the same.[4]

For each of the five executives, the bonus award as a percentage of salary increases with company size (Table 8).[5] The comparison with 1982 suggests that bonus awards, as a percentage of salary, are somewhat lower for 1983 performance, when company size is taken into account.[6]

In general, banks that have an annual bonus plan pay about the same in base salary to their top executives as do banks that have no bonus plan. Therefore, the total compensation of bonus recipients is higher than the total compensation (salary) of executives in companies that have no bonus plan, by roughly the percentages shown in Table 9.

Long-term Incentive Plans

Twenty-four (12 percent) of the 203 banks have a **restricted stock plan** under which contingent grants of company stock are made, subject to restrictions and forfeitures, until earned out by continued employment over a specified period of time. Three years ago, only 7 percent (17) of a group of 248 banks had a plan.[7]

Restricted stock plans are more common among larger banks. For example, 32 percent (8) of the 25 banks with deposits of $5 billion or more have a plan, compared with 11 percent (9) of the 81 banks with deposits between $1 billion and $5 billion, and only 7 percent (7) of 97 banks with deposits in the $300 million to $1 billion range.

Nine banks made a grant of restricted stock during 1983 to one or more of their five top-paid executives. The median grant to 38 executives, as a percentage of base salary, was 40 percent with the middle half ranging between 25 and 65 percent of 1983 salary.

Thirty-eight (19 percent) of the 203 banks have an executive incentive plan based on the achievement of long-term corporate financial goals, usually called a **performance share or unit plan**.[8] In 1980, only 9 percent of 248 banks had a plan.[9] These plans are most common among the largest banks. For example, seven of the thirteen banks with deposits of $10 billion or more have a plan, compared with 26 percent of the banks with deposits of $2 to $10 billion, and 12 percent of the banks in the $300 million to $2 billion range.

Eleven banks made a payment during 1983 under these plans to some of the five top-paid executives. Payments to 50 executives, converted to a percentage of 1983 salary, ranged from 4 percent to 77 percent, with the median payment representing 33 percent of base salary, with the middle 50-percent range from 20 to 45 percent.

Fifty percent (102) of the banks have a **stock option plan**.[10] Plans become more common as the size of the bank increases; for example, only 18 percent of the banks with deposits in the $300 million to $600 million range have a plan compared with 40 percent of the banks with deposits of $600 million to $1 billion, and 71 percent of the banks with deposits of $1 billion or more.

Among the 103 banks with a stock option plan, more than half (58) provide for grants of *both* ISO's and nonqualified options; 27 grant only ISO's, and 17 only nonqualified options.

Seventy-two of the 102 banks with a plan made a regular grant of stock options during 1983. Twenty-three of the

[2] *Top Executive Compensation 1974 Edition* (out of print). The Conference Board, Report No. 640, 1974, p. 58.

[3] *Top Executive Compensation 1980 Edition*, p. 53.

[4] *Top Executive Compensation 1983 Edition*, p. 54.

[5] Data are derived from regression equations based on the pay of executives in 110 banks with a bonus plan that paid a bonus. The equations are shown below; the coefficient of determination is shown in parentheses.

Total Compensation		
Highest paid	log Y = 1.2374 + 0.3650 log X	(75%)
Second	log Y = 1.0144 + 0.3797 log X	(74%)
Third.....	log Y = 0.9530 + 0.3653 log X	(77%)
Fourth	log Y = 0.8547 + 0.3753 log X	(81%)
Fifth	log Y = 0.8521 + 0.3621 log X	(82%)
Base Salary		
Highest paid	log Y = 1.3052 + 0.3080 log X	(67%)
Second	log Y = 1.0999 + 0.3219 log X	(70%)
Third.....	log Y = 1.0504 + 0.3062 log X	(73%)
Fourth	log Y = 0.9422 + 0.3217 log X	(76%)
Fifth	log Y = 0.9836 + 0.2961 log X	(78%)

[6] *Top Executive Compensation 1983 Edition*, p. 54.

[7] *Top Executive Compensation 1980 Edition*, p. 55. For an analysis of 91 plans, see Harland Fox, *Restricted Stock for Executives*. The Conference Board, Research Bulletin No. 159, 1984.

[8] For an analysis of 89 plans, see Harland Fox, *Executive Incentives: Long-term Performance Share/Unit Plans*. The Conference Board, Research Bulletin No. 132, 1983.

[9] *Top Executive Compensation 1980 Edition*, p. 54.

[10] For an analysis of 189 ISO plans, see Harland Fox, *Incentive Stock Option Plans*. The Conference Board, Research Bulletin No. 148, 1983.

Table 8: 1983 Bonus Awards and 1982 Median Bonus

1983 Bonus Award (Percent of Salary)	Chief Executives		Second Highest Paid		Third Highest Paid		Fourth Highest Paid		Fifth Highest Paid	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
75% or more	6	5%	2	2%	2	2%	2	2%	–	–
50–74	11	9	6	5	5	4	3	3	7	6%
40–49	14	12	15	13	15	13	12	10	10	8
30–39	23	19	19	16	12	10	12	10	7	6
20–29	25	21	34	28	35	29	37	31	33	28
10–19	25	21	28	23	29	24	29	24	38	32
Less than 10%	15	13	15	13	21	18	24	20	24	20
Total	119	100%	119	100%	119	100%	119	100%	119	100%
Median Bonus	26%		24%		22%		21%		19 %	
Middle 50% Range	16–40%		15–35%		13–35%		11–29%		12–28%	
1982 Median Bonus	**28%**		**24%**		**21%**		**21%**		**20%**	

banks granted *only* ISO's, twelve *only* nonqualified options, and thirty-seven granted *both* ISO's and nonqualified options. Among the 37 plans that granted both ISO's and nonqualified options, 21 (57 percent) limited nonqualified options to those executives who hit the $100,000 limit on ISO grants.

Eighty percent of the 72 banks that granted options in 1983 provided information about the value of the option for one or more of their five top-paid executives. (The value of an option is the number of shares multiplied by the market price at the time of grant.) The median value of options for 276 executives is the equivalent of 77 percent of base salary, with the middle half ranging between 45 and 120 percent of 1983 base salary.

One or more of the five top-paid executives in 35 banks exercised a stock option (or SAR) during 1983. The net gain realized in cash or stock (market value less option price) for 103 executives is shown below, converted to a percentage of 1983 base salary.

Gain at Exercise (Percent of Salary)	Executives
200–277%	3
100–199	9
50–99	13
30–49	17
20–29	15
10–19	20
Less than 10%	26
Total	103

The median gain is the equivalent of 24 percent of 1983 salary with the middle half ranging between 9 and 49 percent of salary. The median for chief executive officers is 46 percent of salary; for the second highest paid, 26 percent; for the third, 17 percent; for the fourth, 25 percent; and for the fifth highest paid, 39 percent of base salary.

Table 9: 1983 and 1982 Bonus Awards (as Percent of Salary), by Company Size

Executive	Total Deposits $583 Million	$1.1 Billion	$2.3 Billion
Chief Executive			
1983 Bonus (%)	23%	28%	34%
Salary	$143,000	$174,000	$232,000
1982 Bonus (%)	29%	32%	37%
Second Highest Paid			
1983 Bonus (%)	19%	23%	31%
Salary	$97,000	$119,000	$160,000
1982 Bonus (%)	24%	29%	34%
Third Highest Paid			
1983 Bonus (%)	16%	21%	28%
Salary	$79,000	$95,000	$127,000
1982 Bonus (%)	20%	25%	31%
Fourth Highest Paid			
1983 Bonus (%)	15%	18%	35%
Salary	$68,000	$83,000	$112,000
1982 Bonus (%)	19%	23%	29%
Fifth Highest Paid			
1983 Bonus (%)	13%	17%	24%
Salary	$63,000	$76,000	$101,000
1982 Bonus (%)	18%	21%	26%

The actual dollar gain is shown below:

Dollar Gain at Exercise	Executives
$500,000 and over	4
200,000–499,000	8
100,000–199,000	9
50,000–99,000	20
25,000–49,000	22
10,000–24,000	23
Less than $10,000	17
Total	103

The median gain is $36,000, with the middle half rang-

ing between $17,000 and $82,000. The median gain for 19 chief executive officers is $99,000; for 23 second highest paid, $57,000; for 23 third and 21 fourth paid, $25,000; and for 17 fifth highest paid, $33,000

Stock-for-stock exercise (stock swaps) are provided for by 46 (54 percent) of the 85 plans that grant ISO's, and by 39 (52 percent) of the 75 plans that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by 33 (39 percent) of the 85 plans that grant ISO's. Most (17) limit SAR's to a small group of top management (essentially "insiders"); the other 16 plans grant SAR's to all ISO recipients. SAR's are provided by 33 (44 percent) of the 75 plans that grant nonqualified options. Most (22) limit SAR's to a small group of top management; the other 11 plans grant SAR's to all nonqualified option recipients.

Chapter 7
Insurance

INFORMATION ABOUT THE 1983 compensation of their five highest paid executives was obtained from 138 insurance companies, 44 percent of approximately all life insurance and property and casualty insurance companies with premium income of $50 million or more. These 138 carriers are classified below according to total premium income from all lines during 1983.

1983 Premium Income	*Total Companies*	*Life*	*Property and Casualty*
$2 billion and over	15	10	5
1–1,999 billion	11	5	6
500–999 million	15	11	4
300–499 million	13	8	5
200–299 million	23	12	11
100–199 million	42	26	16
50–99 million	19	13	6
Total	138	85	53

The median premium income for all companies is $235 million, with the middle half ranging from $133 million to $757 million. For life insurance companies, median premium income is $231 million compared with $241 million for property and casualty companies. For the 70 stock companies, median premium income is $222 million; for the 68 mutual companies, $256 million.

Pay Trends

On the average, total compensation for 1983 (which includes bonus awards) was 7 percent greater than in 1982 for top executives in these insurance companies. For example, in a sample of 106 chief executive officers for whom both 1982 and 1983 total compensation was available, the median increase was 7 percent, with the middle half ranging from no increase to an increase of 17 percent. For 22 percent of these chief executive officer positions, total compensation for 1983 was lower than in 1982 and another 10 percent registered no gain. Among the 68 percent that show a gain, the median increase was 14 percent, with the middle half ranging between 7 and 23 percent.

Some of the increase in total compensation is the result of increased bonus payments. For example, 85 percent of the carriers with a bonus plan paid a bonus for 1983 performance, but only 70 percent did so for 1982 performance. In addition, bonus payments, as a percentage of base salary were somewhat higher. For example, the median bonus for chief executive officers represented 29 percent of salary for 1983, and 27 percent of salary for 1982 performance. However, among 42 companies that paid a bonus for both 1983 and 1982, the median dollar bonus for chief executive officers was about the same in both years, with the middle half ranging between a cut of 40 percent and a 40 percent increase.

Total compensation also increased because of increases in base salary. For example, among the 106 companies for which both 1983 and 1982 base salary was available, the median increase for the chief executive officer position was 6 percent, with the middle half ranging between no increase and a 12 percent increase. For 14 percent of these chief executive positions, salary was lower in 1983 than in 1982, and for 16 percent it was unchanged. Among the 74 percent that received an increase, the median is 10 percent, with the middle half between 5 and 15 percent.

As illustrated below, the 6 percent increase for 1983 continues the drop in the *rate* of salary increase for top executives during the last few years.[1] Apparently this will continue, judging by the estimates obtained in May, 1984, of the average salary increase expected for the entire exempt population during 1984 and 1985.

[1]The 1982 changes are from *Top Executive Compensation 1983 Edition*. The Conference Board, Report No. 840, 1983, p. 7. The 1979–1981 changes are from *Top Executive Compensation 1982 Edition*. The Conference Board, Report No. 827, 1982, p. 11. The 1977–1979 changes are from *Top Executive Compensation 1980 Edition*. The Conference Board, Report No. 793, 1980, p. 14. The 1975–1977 changes are from *Top Executive Compensation 1978 Edition*. The Conference Board, Report No. 753, 1978, p. 18. The 1973–1975 changes are from *Top Executive Compensation 1976 Edition*. The Conference Board, Report No. 706, 1976, p. 17.

Year	Number of Companies	Percentage Increase in Salary: Median	Middle 50 Percent Range
Total Exempt Employees			
1985 Estimate	85	6.5%	6.0% to 7.0%
1984 Estimate	126	6.5	6.0 to 7.0
Chief Executive Officers			
1983	106	6%	0% to 12%
1982	111	10	1 to 17
1979–1981	88	26	17 to 35
1977–1979	135	22	13 to 32
1975–1977	145	16	10 to 23
1973–1975	115	15	1 to 29

1983 Total Compensation

For each insurance company, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation paid to each of the chief executive officers in this particular sample of 138 insurance companies is shown in Chart 30. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

Compensation Rank	1983 Total Compensation: Median	Middle 50 Percent Range
Highest paid	$222,000	$152,000 to $334,000
Second	145,000	99,000 to 214,000
Third	121,000	86,000 to 180,000
Fourth	105,000	76,000 to 146,000
Fifth	93,000	69,000 to 125,000

As Charts 30, 31 and 32 indicate, there is a positive relationship between total premium income and total compersation for the chief executive officers in life insurance companies and in property and casualty companies.

The regression equations for the executives in the 53 property and casualty companies are shown below. As the coefficients of determination (r^2) indicate, the variation in total premium income statistically explains 62 to 69 percent of the variation in total compensation of the five top-paid executives.

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.4178 + 0.3707 log X	69%
Second	log Y = 1.2653 + 0.3626 log X	67
Third	log Y = 1.2587 + 0.3278 log X	62
Fourth	log Y = 1.2042 + 0.3258 log X	65
Fifth	log Y = 1.1442 + 0.3305 log X	67

The regression equations for the five top-paid executives in the 85 life insurance companies are shown below. The coefficients of determination (r^2) indicate that the variation in premium income statistically explains 70 to 75 percent of the variation in total compensation of the executives.[2]

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.5415 + 0.3294 log X	70%
Second	log Y = 1.2892 + 0.3568 log X	71
Third	log Y = 1.2905 + 0.3273 log X	73
Fourth	log Y = 1.2498 + 0.3202 log X	75
Fifth	log Y = 1.2318 + 0.3100 log x	75

The ratio of the total compensation of each executive to that of the chief executive officer is shown below.

Compensation Rank	Total Compensation as a Percentage of Chief Executive's Total Compensation: Median	Middle 50 Percent Range
Second highest	67%	58% to 76%
Third highest	55	47 to 63
Fourth highest	48	41 to 55
Fifth highest	42	38 to 50

These ratios are essentially the same in life isurance companies and property and casualty companies.

1983 Salary

There is a positive relationship between base salary and total premium income. The regression equations for executives in the 53 property and casualty companies are

[2]The regression equations for the five executives when all companies are combined are shown below; the percent in parentheses is the coefficient of determination.

Highest paid	log Y = 1.4943 + 0.3452 log X	(69%)
Second	log Y = 1.2802 + 0.3589 log X	(69%)
Third	log Y = 1.2791 + 0.3271 log X	(68%)
Fourth	log Y = 1.2332 + 0.3220 log X	(70%)
Fifth	log Y = 1.1990 + 0.3176 log X	(70%)

In each case, Y is total compensation stated in *thousands* of dollars; X is total premium income stated in *millions* of dollars.

Chart 30: Compensation of the Chief Executive, by Total Premium Income

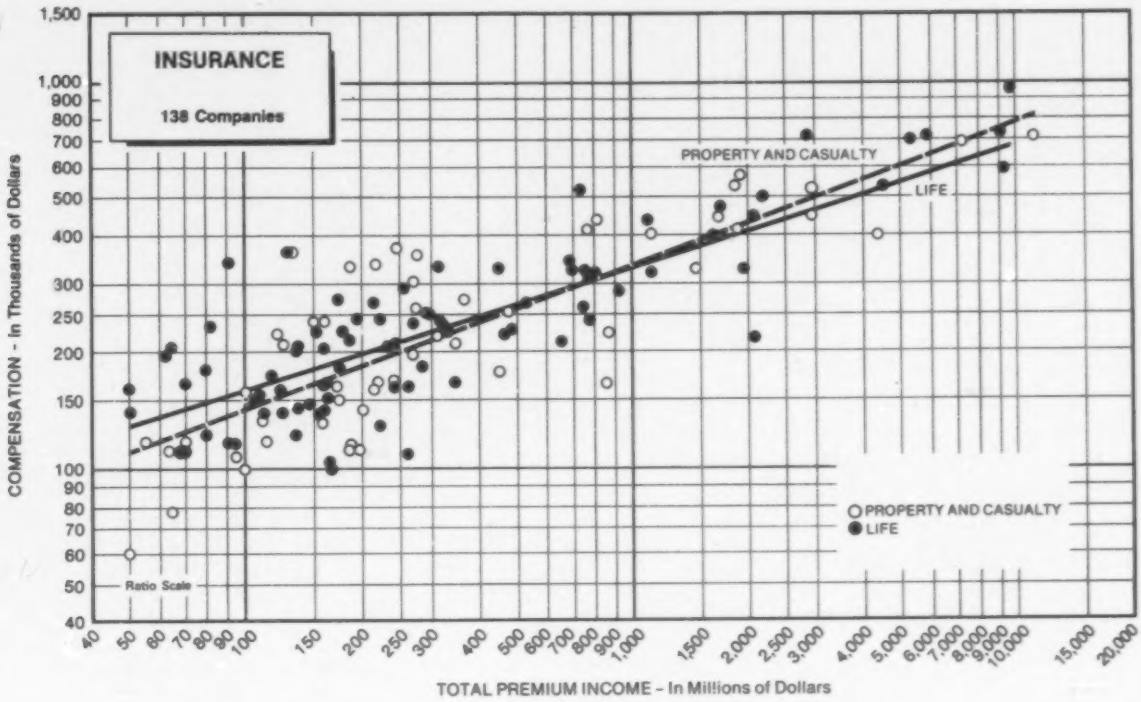


Chart 31: Compensation of the Five Highest Paid Executives, by Total Premium Income

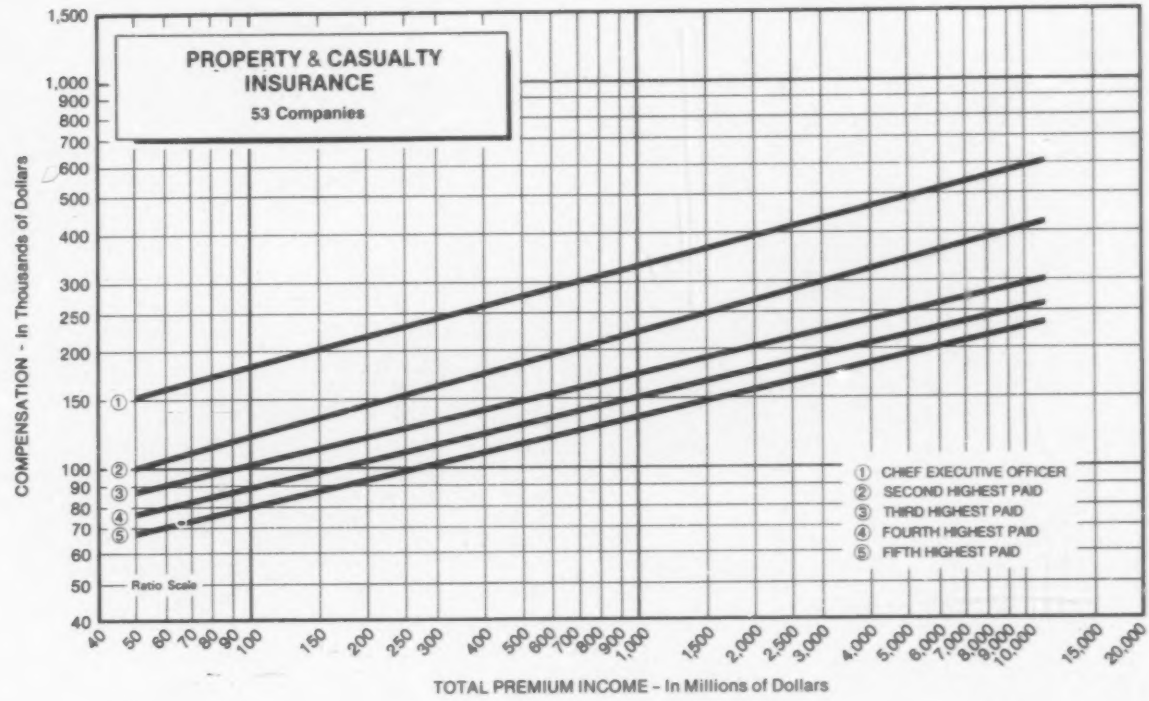
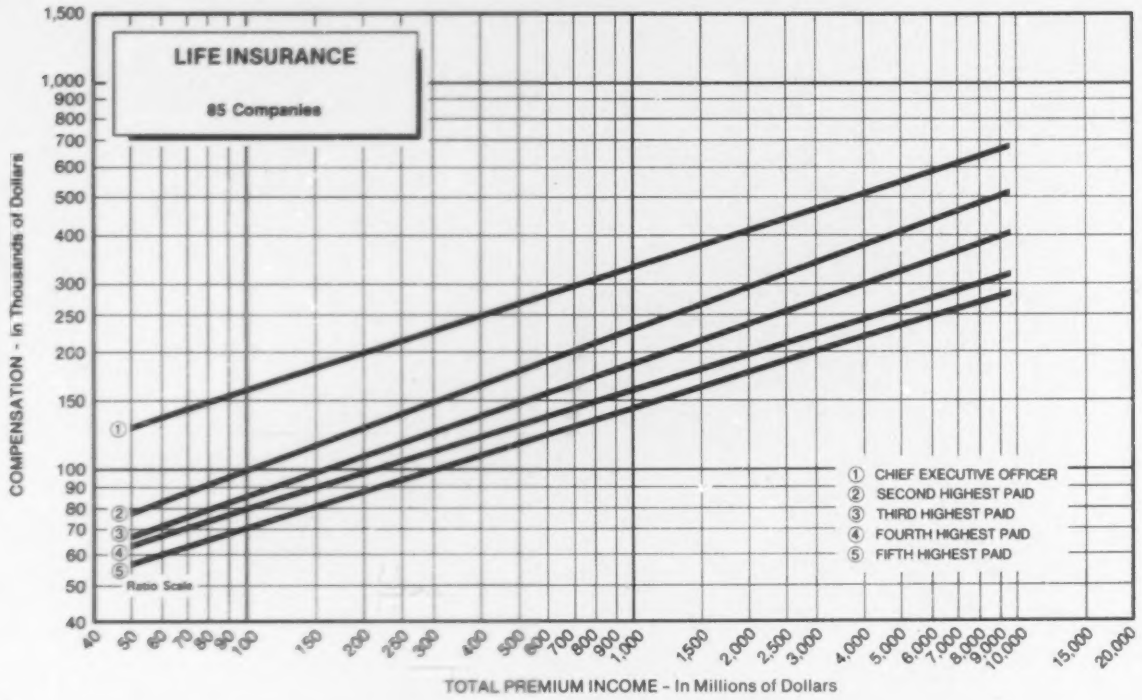

PROPERTY & CASUALTY INSURANCE
53 Companies
① CHIEF EXECUTIVE OFFICER
② SECOND HIGHEST PAID
③ THIRD HIGHEST PAID
④ FOURTH HIGHEST PAID
⑤ FIFTH HIGHEST PAID
Ratio Scale
COMPENSATION - In Thousands of Dollars
TOTAL PREMIUM INCOME - In Millions of Dollars

Chart 32: Compensation of the Five Highest Paid Executives, by Total Premium Income


LIFE INSURANCE
85 Companies
COMPENSATION - In Thousands of Dollars
TOTAL PREMIUM INCOME - In Millions of Dollars
Ratio Scale
① CHIEF EXECUTIVE OFFICER
② SECOND HIGHEST PAID
③ THIRD HIGHEST PAID
④ FOURTH HIGHEST PAID
⑤ FIFTH HIGHEST PAID

shown below. As the coefficients of determination (r^2) indicate, the variation in premium income statistically explains 66 to 73 percent of the variation in base salary.

Compensation Rank	*Regression Formula*	r^2
Highest paid ..	log Y = 1.4488 + 0.3317 log X	72%
Second	log Y = 1.2708 + 0.3369 log X	72
Third	log Y = 1.2843 + 0.2978 log X	66
Fourth	log Y = 1.2156 + 0.2996 log X	73
Fifth	log Y = 1.1626 + 0.3039 log X	69

The regression equations for the executives in the 85 life insurance companies are shown below. The coefficients of determination indicate that the variation in premium income statistically explains 66 to 75 percent of the variation in base salary.[3]

[3]The regression equations for the five executives when all companies are combined are shown below; the percent in the parentheses is the coefficient of determination.

Highest paid	log Y = 1.4931 + 0.3183 log X	(68%)
Second	log Y = 1.2849 + 0.3340 log X	(72%)
Third	log Y = 1.2922 + 0.3009 log X	(69%)
Fourth	log Y = 1.2367 + 0.3005 log X	(73%)
Fifth	log Y = 1.2231 + 0.2899 log X	(72%)

In each case Y is salary stated in *thousands* of dollars and X is total premium income stated in *millions* of dollars.

Compensation Rank	*Regression Formula*	r^2
Highest paid ..	log Y = 1.5202 + 0.3101 log X	66%
Second	log Y = 1.2933 + 0.3324 log X	72
Third	log Y = 1.2959 + 0.3033 log X	71
Fourth	log Y = 1.2481 + 0.3017 log X	74
Fifth	log Y = 1.2592 + 0.2817 log x	75

The ratio of the salary of each executive to the salary of the chief executive officer is shown below:

	Salary as a Percentage of Chief Executive's Salary	
Compensation Rank	*Median*	*Middle 50 Percent Range*
Second highest	68%	60% to 76%
Third highest	56	49 to 65
Fourth highest	50	43 to 57
Fifth highest	45	38 to 52

These ratios are practically the same as the total compensation ratios.

1983 Bonus Awards

Eighty-nine (64 percent) of the 138 insurance companies have an annual executive bonus plan; that is, a plan that pays a year-end bonus based on that year's corporate per-

formance. These plans have become much more common among insurance companies over the past decade; in 1974 only 35 percent of a roughly comparable group of life insurance, fire, marine and casualty companies had an annual incentive plan.[4] By 1980, 52 percent had a plan.[5]

In general, an annual bonus plan is more common as company size increases. For example, 81 percent of the carriers with premium income of $1 billion or more have a plan, compared with 65 percent of the companies with premium income of $100 million to $1 billion and 42 percent of the companies with premium income of $50 million to $100 million.

Plans are more common among property and casualty companies (74 percent) than among life companies (59 percent). A larger proportion of stock (73 percent) than mutual (56 percent) companies have a plan.

Almost 85 percent (76) of the 89 carriers with a bonus plan made an award for 1983 performance; 70 percent paid a bonus for 1982. Among the 76 companies that paid a 1983 bonus, most (61) also paid a 1982 bonus but a few (15) did not. Among the 13 companies that paid no bonus for 1983, two paid a bonus for 1982; the other 11 paid no bonus in either year.

As Table 10 indicates, the median award for chief executive officers (29 percent of salary) is somewhat higher than that of the other four executives (20 to 24 percent). Compared with bonus awards for 1982, the 1983 medians are about the same.[6]

For each of the top five executives, the bonus award tends to increase, as a percentage of salary, with company size (Table 10).[7] Again, the 1983 medians are about the same at each size level as in 1982.[8]

[4] *Top Executive Compensation 1974 Edition* (out of print). The Conference Board, Report No. 640, 1974, p. 62.

[5] *Top Executive Compensation 1980 Edition*, p. 59.

[6] *Top Executive Compensation 1983 Edition*, p. 60.

[7] Data are derived from regression equations based on the pay of executives in 70 companies with a bonus plan that paid a bonus for 1983. The equations are shown below, the coefficient of determination is in parentheses.

Total Compensation

Highest paid	$\log Y = 1.6435 + 0.3095 \log X$	(72%)
Second	$\log Y = 1.4087 + 0.3317 \log X$	(73%)
Third.....	$\log Y = 1.3651 + 0.3128 \log X$	(70%)
Fourth	$\log Y = 1.3293 + 0.3043 \log X$	(70%)
Fifth	$\log Y = 1.2738 + 0.3069 \log X$	(71%)

Base Salary

Highest paid	$\log Y = 1.5346 + 0.3037 \log X$	(66%)
Second	$\log Y = 1.3226 + 0.3232 \log X$	(75%)
Third.....	$\log Y = 1.3008 + 0.2999 \log X$	(71%)
Fourth	$\log Y = 1.2413 + 0.3019 \log X$	(73%)
Fifth	$\log Y = 1.2470 + 0.2867 \log X$	(71%)

[8] *Top Executive Compensation 1983 Edition*, p. 60.

In general, insurance companies that have a bonus plan pay about the same in base salary to their top executives as do carriers that do not have a bonus plan. Therefore, the total compensation of bonus recipients is higher than the total compensation (salary) of executives in companies with no bonus, by roughly the percentages shown in Table 11.

Long-term Incentive Plans

Ten (15 percent) of the 70 stock companies have a **restricted stock plan** under which contingent grants of company stock are made, subject to restrictions and forfeitures, until earned out by continued employment over a specified period of time. This is a somewhat greater proportion of companies with a plan than in 1980; eight (9 percent) of 94 stock companies reported a plan then.[9] The incidence of these plans is not related to company size.

Six stock companies made a grant of restricted stock during 1983 to one or more of their five top-paid executives. The median grant to 24 executives, as a percentage of base salary, was 40 percent with the middle half ranging between 20 and 54 percent of 1983 salary.

Twenty-seven (20 percent) of the 138 insurance companies have an executive incentive plan, usually called a **performance share or unit plan**, based on the achievement of long-term corporate financial goals.[10] In 1980, only 8 percent (14) of 174 carriers had a plan.[11] Only 10 percent of the mutual companies have a plan compared with 20 percent of the stock companies. Similarly, 34 percent of the 41 companies with premium income of $500 million or more have a plan, but only 13 percent of the 97 smaller carriers.

During 1983, nine companies made a payment under these plans to some of the five top-paid executives. As a percentage of 1983 salary, payments to these 38 executives ranged from 4 to 164 percent, with the median payment representing 23 percent of base salary.

Forty-three percent (30) of the 70 stock companies have a **stock option plan**,[12] including 83 percent of the ten companies with premium income of $1 billion or more but only 34 percent of the smaller stock companies. Sixteen (53 percent) of the plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; eight grant only ISO's and six, only nonqualified options.

[9] *Top Executive Compensation 1980 Edition*, p. 80. For an analysis of 91 plans, see Harland Fox, *Restricted Stock for Executives*. The Conference Board, Research Bulletin No. 159, 1984.

[10] For an analysis of 89 plans, see Harland Fox, *Executive Incentives: Long-term Performance Share/Unit Plans*. The Conference Board, Research Bulletin No. 132, 1983.

[11] *Top Executive Compensation 1980 Edition*, p. 60.

[12] For an analysis of 189 ISO plans, see Harland Fox, *Incentive Stock Option Plans*. The Conference Board, Research Bulletin No. 148, 1983.

Table 10: 1983 Bonus Awards and 1982 Median Bonus

1983 Bonus Award (Percent of Salary)	Chief Executives		Second Highest Paid		Third Highest Paid		Fourth Highest Paid		Fifth Highest Paid	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
60% or more	9	12%	2	3%	3	4%	2	3%	1	1%
50–59	7	9	7	9	5	7	2	3	1	1
40–49	8	11	6	8	1	1	5	7	5	7
30–39	13	17	10	13	10	13	13	17	6	8
20–29	20	26	23	30	26	34	17	22	26	34
10–19	16	21	24	32	24	32	27	35	27	36
Less than 10%	3	4	4	5	7	9	10	13	10	13
Total	76	100%	76	100%	76	100%	76	100%	76	100%
Median Bonus	29%		24%		24%		20%		20%	
Middle 50% Range	20–46%		15–36%		15–33%		17–33%		12–28%	
1982 Median Bonus	**27%**		**25%**		**24%**		**21%**		**20%**	

Table 11: 1983 and 1982 Bonus Awards (as Percent of Salary), by Company Size

Executive	Total Premium Income $133 Million	$235 Million	$757 Million
Chief Executive			
1983 Bonus (%)	32%	33%	34%
Salary	$150,000	$179,000	$255,000
1982 Bonus (%)	34%	33%	34%
Second Highest Paid			
1983 Bonus (%)	26%	28%	28%
Salary	$102,000	$122,000	$179,000
1982 Bonus (%)	25%	28%	32%
Third Highest Paid			
1983 Bonus (%)	24%	25%	26%
Salary	$86,000	$102,000	$145,000
1982 Bonus (%)	25%	26%	28%
Fourth Highest Paid			
1983 Bonus (%)	24%	24%	25%
Salary	$76,000	$90,000	$128,000
1982 Bonus (%)	23%	24%	26%
Fifth Highest Paid			
1983 Bonus (%)	18%	19%	22%
Salary	$71,000	$84,000	$117,000
1982 Bonus (%)	18%	20%	24%

Twenty-three of the 30 stock companies with a plan made a regular grant of stock options during 1983. Twelve of the plans granted *only* ISO's; three granted *only* nonqualified options, the other eight granted *both* ISO's and nonqualified options. Among the 12 plans that granted *both* ISO's and nonqualified options, five limited nonqualified options to those executives who hit the $100,000 limit on ISO grants.

Fifteen of the 23 stock companies that granted options in 1983 provided information about the value of the option for one or more of their five top-paid executives. (The value of an option is the number of shares multiplied by the market price at the time of grant.) The median value of options for 71 executives is the equivalent of 57 percent of base salary, with the middle half ranging between 32 and 110 percent of 1983 base salary.

One or more of the five top-paid executives in 11 stock companies exercised a stock option (or SAR) during 1983. The median net gain realized in cash or stock (market value less option price) for 33 executives is the equivalent of 24 percent of 1983 salary, with the middle half ranging between 11 and 39 percent of base salary. The dollar gain ranged from $7,000 to $356,000, with the median at $55,000 and the middle half ranging between $16,000 and $100,000.

Stock-for-stock exercise (stock swaps) are provided for by eight (33 percent) of the 24 plans that grant ISO's, and by seven (32 percent) of the 22 plans that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by seven (29 percent) of the 24 plans that grant ISO's. Four of these plans limit SAR's to a small group of top executives (essentially "insiders"); the other three plans grant SAR's to all ISO recipients. SAR's are provided by eight (36 percent) of the 22 plans that grant nonqualified options. Four plans limit SAR's to a small group of top management; the other four grant SAR's to all nonqualified option recipients.

Chapter 8
Construction

INFORMATION ABOUT THE 1983 compensation of their five highest paid executives was obtained from 67 construction companies, 34 percent of the 200 largest.[1] These 67 construction companies are classified below according to 1983 sales volume.

1983 Sales	Number of Companies	Companies Whose Stock is: Traded	Not Traded
$500 million and over	11	8	3
200–499 million	9	3	6
100–199 million	22	6	16
50–99 million	16	4	12
Less than 50 million	9	–	9
Total	67	21	46

The median sales for the group is $112 million, with the middle half ranging between $75 million and $305 million.

Most (46) of the companies do not have stock traded on an organized exchange. They are relatively small companies and are engaged primarily in construction, with little or no design activity. The median sales volume of the group is $105 million.

The 21 publicly held companies are larger; their median sales volume is $217 million. Fourteen of the companies are subsidiaries of other companies. It is the parent company's stock that is traded in these companies.

Pay Trends

On the average, total compensation for 1983 (which includes bonus awards) was no greater than in 1982 for top executives in these construction companies. For example, in a sample of 48 chief executive officers for whom both 1982 and 1983 total compensation was available, the median company reported no increase, with the middle half ranging from a cut of 15 percent to an increase of 11 percent. For 44 percent of these chief executive officer positions, total compensation for 1983 was lower than for 1982 and another 8 percent registered no gain. Among the 48 percent that show an increase, the median is 12 percent with the middle half ranging between 4 and 29 percent.

The general lack of increase in total compensation reflects little increase in bonus payments as well. For example, somewhat fewer companies with a bonus plan paid a bonus: 79 percent for 1983 and 81 percent for 1982. In addition, bonus payments, as a percentage of base salary decreased. For example, the median bonus for chief executive officers in 1983 equaled 43 percent of base salary, but in 1982, 49 percent. Among companies that paid a bonus for both 1983 and 1982, the typical chief executive received the same amount in both years.

Increases in base salary during 1983 were modest. For example, among the 48 companies for which both 1983 and 1982 base salary were available, the median increase for the chief executive position was 4 percent, with the middle half ranging between no increase and a 14 percent increase. For 26 percent of these chief executive positions, salary was lower in 1983 than in 1982, and for 13 percent it was unchanged. Among the 62 percent that received an increase, the median is 10 percent, with the middle half between 5 and 33 percent.

As illustrated below, the 4 percent increase for 1983 is a sharp drop in the *rate* of salary increase reported in prior years for top executives.[2] Apparently increases will be higher during the next few years, judging by the estimates obtained in May, 1984, of the average salary increase expected for the entire exempt population during 1984 and 1985.

[1] "ENR 400 Largest Construction Contractors 1983." *Engineering News-Record*, April 19, 1984, p. 64.

[2] The 1982 data are from *Top Executive Compensation 1983 Edition*. The Conference Board, Report No. 840, p. 62. The 1979–1981 changes are from *Top Executive Compensation 1982 Edition*. The Conference Board, Report No. 827, 1982, p. 63. The 1977–1979 changes are from *Top Executive Compensation 1980 Edition*. The Conference Board, Report 793, 1980, p. 66. The 1975–1977 changes are from *Top Executive Compensation 1978 Edition*. The Conference Board, Report No. 753, 1978, p. 79.

Year	Number of Companies	Percentage Increase in Salary: Median	Middle 50 Percent Range
Total Exempt Employees			
1985	53	6.0%	5.0% to 7.0%
1984	59	6.0	5.0 to 6.4
Chief Executive Officers			
1983	48	4%	0% to 14%
1982	52	8	0 to 12
1979–1981	34	27	15 to 43
1977–1979	47	19	10 to 31
1975–1977	54	20	6 to 35

1983 Total Compensation

For each construction company, compensation data were obtained for the five highest paid executives, without regard to title or function. As a rule, the highest paid executive is the chief executive officer and the second highest paid is the chief operating officer.

The 1983 *total compensation* of each of the five highest paid executives in each company is measured as the sum of 1983 salary and 1983 bonus award. The total compensation paid to each of the chief executive officers in this particular sample of 67 construction companies is shown in Chart 33. The median and middle 50 percent range of the pay of these chief executive officers and the other four executives are shown below.

Compensation Rank	1983 Total Compensation: Median	Middle 50 Percent Range
Highest paid	$198,000	$131,000 to $274,000
Second	147,000	103,000 to 186,000
Third	116,000	84,000 to 153,000
Fourth	99,000	72,000 to 134,000
Fifth	85,000	67,000 to 124,000

There is a positive relationship between the level of total compensation and sales volume, as the lines in Charts 34 and 35 indicate. However, the relationship is not very strong in the 46 closely held companies. As the coefficients of determination (r^2) below indicate, the variation in sales volume explains only 18 percent of the variation in total compensation for chief executives and, at most, 41 percent for the other four executives.

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.7781 + 0.2363 log X	18%
Second	log Y = 1.4429 + 0.3282 log X	41
Third	log Y = 1.4947 + 0.2638 log X	33
Fourth	log Y = 1.3504 + 0.3013 log X	37
Fifth	log Y = 1.3543 + 0.2746 log X	33

Chart 33: Compensation of the Chief Executive, by Company Sales

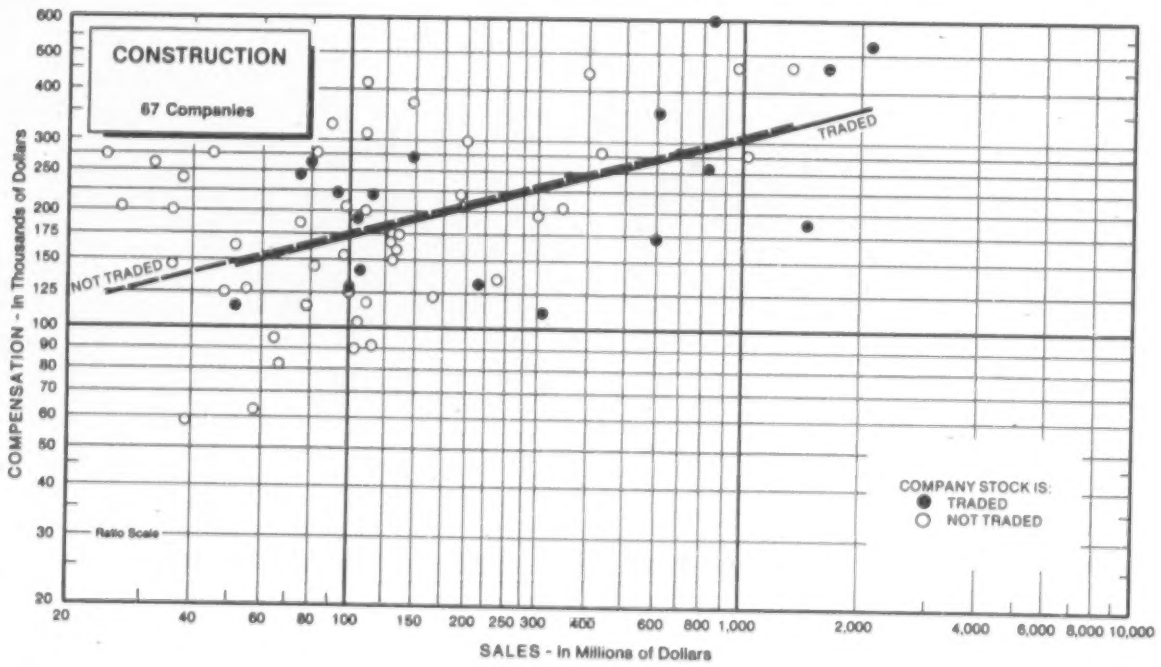


Chart 34: Compensation of the Five Highest Paid Executives, by Company Sales

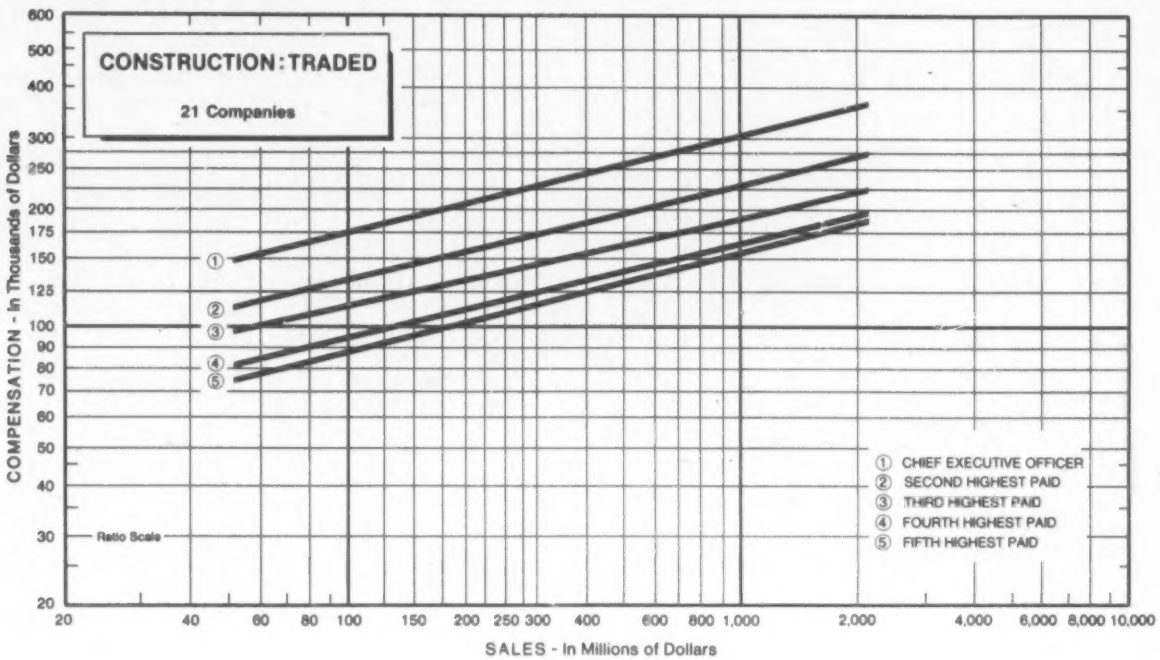
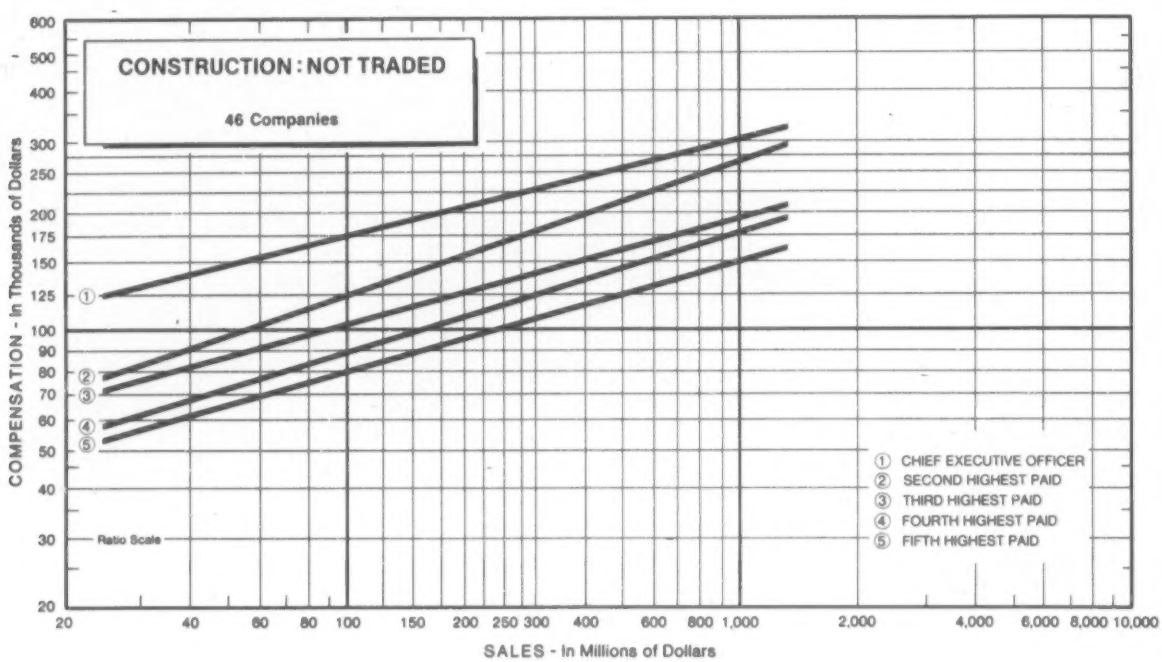


Chart 35: Compensation of the Five Highest Paid Executives, by Company Sales



The regression equations for executives in 21 companies whose stock is publicly held is shown below. As the coefficients of determination indicate, sales explains a much higher proportion of this variation in total compensation than for closely held contractors.[3]

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.7720 + 0.2390 log X	34%
Second	log Y = 1.6396 + 0.2412 log X	53
Third	log Y = 1.6289 + 0.2165 log X	43
Fourth	log Y = 1.4784 + 0.2461 log X	64
Fifth	log Y = 1.4029 + 0.2642 log X	71

The ratio of the total compensation of each executive to the total compensation of the chief executive officer is shown below.

	Total Compensation as a Percentage of Chief Executive's Total Compensation	
Compensation Rank	Median	Middle 50 Percent Range
Second highest	76%	63% to 90%
Third highest	64	49 to 74
Fourth highest	54	42 to 64
Fifth highest	48	37 to 59

These ratios are essentially the same among publicly held contractors and those whose stock is not traded.

1983 Salary

There is also a positive relationship between base salary and sales volume. The regression equations for executives in the 21 companies whose stock is publicly held is shown below. As the coefficients of determination (r^2) indicate, variation in sales volume statistically explains 27 to 67 percent of the variation in base salary.

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.7647 + 0.2072 log X	27%
Second	log Y = 1.6735 + 0.1949 log X	39
Third	log Y = 1.6591 + 0.1749 log X	37
Fourth	log Y = 1.5124 + 0.2044 log X	59
Fifth	log Y = 1.4267 + 0.2289 log X	67

[3]The regression equations for the five executives when all companies are combined are shown below; the percent in parentheses is the coefficient of determination.

Highest paid	log Y = 1.7758 + 0.2374 log X	(26%)
Second	log Y = 1.5168 + 0.2918 log X	(47%)
Third	log Y = 1.5199 + 0.2549 log X	(41%)
Fourth	log Y = 1.3955 + 0.2794 log X	(47%)
Fifth	log Y = 1.3493 + 0.2802 log X	(47%)

In each case, Y is total compensation stated in *thousands* of dollars; and X is sales volume stated in *millions* of dollars.

The regression equations for the executives in the 46 companies whose stock is not traded are shown below. The coefficients of determination indicate that the variation in sales volume statistically explains, at most, 43 percent of the variation in salary and, for the chief executive officer, only 22 percent.[4]

Compensation Rank	Regression Formula	r^2
Highest paid	log Y = 1.6710 + 0.2295 log X	22%
Second	log Y = 1.4194 + 0.2876 log X	39
Third	log Y = 1.4348 + 0.2465 log X	32
Fourth	log Y = 1.2489 + 0.3064 log X	43
Fifth	log Y = 1.2849 + 0.2698 log X	39

The ratio of the salary of each executive to the salary of the chief executive officer is shown below:

	Salary as a Percentage of Chief Executive's Salary	
Compensation Rank	Median	Middle 50 Percent Range
Second highest	75%	64% to 89%
Third highest	65	54 to 75
Fourth highest	56	47 to 65
Fifth highest	50	43 to 61

These ratios are practically the same as the total compensation ratios.

1983 Bonus Awards

Sixty-two (93 percent) of the 67 construction companies have an annual executive bonus plan; that is, a plan that pays a year-end bonus based on that year's corporate performance. All publicly held contractors have a plan and all but five of the 46 privately owned firms. The high incidence of an annual bonus plan in this sector was apparent in 1978 when 82 percent reported a plan.[5]

Seventy-four percent (46) of the 62 contractors with a bonus plan made an award for 1983 performance; however, 81 percent (50) paid a bonus for 1982. Among the 46 plans that paid a 1983 bonus, most (43) also paid a 1982 bonus. Among the 16 companies that paid no bonus

[4]The regression equations for the five executives when all companies are combined are shown below; the percent in the parentheses is the coefficient of determination.

Highest paid	log Y = 1.6664 + 0.2373 log X	(30%)
Second	log Y = 1.4743 + 0.2664 log X	(45%)
Third	log Y = 1.4618 + 0.2413 log X	(40%)
Fourth	log Y = 1.3174 + 0.2767 log X	(51%)
Fifth	log Y = 1.2927 + 0.2723 log X	(53%)

In each case Y is total compensation stated in *thousands* of dollars and X is sales volume stated in *millions* of dollars.

[5]*Top Executive Compensation 1978 Edition*, p. 77.

Table 12: 1983 Bonus Awards and 1982 Median Bonus

1983 Bonus Award (Percent of Salary)	Chief Executives		Second Highest Paid		Third Highest Paid		Fourth Highest Paid		Fifth Highest Paid	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
100% or more	6	15%	2	5%	3	7%	2	5%	–	–
75–99	6	15	5	12	2	5	3	7	1	2%
50–74	6	15	10	24	9	21	4	9	4	10
40–49	7	19	5	12	4	10	7	16	11	26
30–39	5	13	6	15	8	20	11	26	4	10
20–29	4	10	5	12	7	17	4	9	10	24
Less than 20%	5	13	8	20	8	20	12	28	12	28
Total	39	100%	41	100%	41	100%	43	100%	42	100%
Median Bonus	43%		42%		35%		34%		30%	
Middle 50% Range	34–84%		25–70%		22–55%		17–45%		17–44%	
1982 Median Bonus	**49%**		**41%**		**40%**		**33%**		**29%**	

for 1983, seven paid a 1982 bonus; nine paid no bonus in either year.

As Table 12 indicates, the median award for chief executive officers (43 percent of salary) is higher than that of the other four executives (30 to 42 percent of salary). Compared with bonus awards for 1982, the 1983 medians are somewhat lower.[6]

Long-term Incentive Plans

Three (14 percent) of the 21 contractors whose stock is traded have a **restricted stock plan** under which contingent grants of company stock are made, subject to restrictions and forfeitures, until earned out by continued employment over a specified period of time. Six (30 percent) of 20 companies reported a plan four years ago.[7]

The three plans are in the 11 companies with sales of $500 million or more. One company made a grant during 1983; the awards were the equivalent of 33 to 37 percent of 1983 salary.

Eight (12 percent) of the companies have an executive incentive plan based on the achievement of long-term corporate financial goals, usually called a **performance share or unit plan**.[8] In 1980, six of 65 companies reported a plan.[9]

Two companies made a payment during 1983 to one or more of their five top-paid executives. The payments to nine executives, converted to a percentage of salary, ranged from 5 to 20 percent; the median payment represented 11 percent of 1983 salary.

Thirteen (62 percent) of the 21 publicly held companies have a **stock option plan**.[10] Six of these plans provide for grants of *both* incentive stock options (ISO's) and nonqualified options; six grant only ISO's, and one only nonqualified options.

Eight of the 13 publicly held companies with a plan made a regular grant of stock options during 1983. Four of the plans granted *only* ISO's; two *only* nonqualified options; and two granted *both* ISO's and nonqualified options. The two plans that granted both ISO's and nonqualified options, limited nonqualified options to those executives who hit the $100,000 limit on ISO grants.

Six of the eight publicly held companies that granted options in 1983 provided information about the value of the options for one or more of their five top-paid executives. (The value of an option is the number of shares multiplied by the market price at the time of grant.) The median value of options for 25 executives is the equivalent of 39 percent of base salary, with the middle half ranging between 15 and 102 percent of 1983 base salary.

Stock-for-stock exercise (stock swaps) are provided for by eight of the 12 plans that grant ISO's, and by four of the seven plans that grant nonqualified options.

Stock appreciation rights (SAR's) are provided by five of the 12 plans that grant ISO's. Four limit SAR's to a small group of top executives (essentially, "insiders"); the other one grants SAR's to all ISO recipients. SAR's are provided by four of the seven plans that grant nonqualified options. Three limit SAR's to a small group of top management; the other plan grants SAR's to all nonqualified option recipients.

[6] *Top Executive Compensation 1983 Edition*, p. 66.

[7] *Top Executive Compensation 1980 Edition*, p. 65. For an analysis of 91 plans, see Harland Fox, *Restricted Stock for Executives*. The Conference Board, Research Bulletin No. 159, 1984.

[8] For an analysis of 89 plans, see Harland Fox, *Executive Incentives: Long-term Performance Share/Unit Plans*. The Conference Board, Research Bulletin No. 132, 1983.

[9] *Top Executive Compensation 1980 Edition*, p. 65.

[10] For an analysis of 189 ISO plans, see Harland Fox, *Incentive Stock Option Plans*. The Conference Board, Research Bulletin No. 148, 1983.